BLACK ECONOMIC EMPOWERMENT IN THE CAPE PENINSULA ADVERTISING INDUSTRY: A MULTIPLE CASE STUDY APPROACH

by

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DECLARATION

I, Rodney Graeme Duffett, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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Signed   **Date**

ABSTRACT

Black Economic Empowerment (BEE) aims to enable Black people in South Africa (SA), as legislatively classified, to make a noteworthy contribution to the local economy by irreversibly altering the racial profile of ownership, management echelons and all employment levels of existing and new organisations. This ambitious strategy hopes to encourage economic transformation by eliminating unfair discrimination; applying affirmative action (AA) policies; empowering Black women and facilitating access to land, infrastructure, economic activities, ownership, as well as training and skills development (SA. DTI, 2004a:4-5). The transformation process in SA has been a lengthy and complex one, with the government slowly enacting enabling legislation. The Broad-Based Black Economic Empowerment (BBBEE) Codes of Good Practice was gazetted on 9 February 2007 and this significant piece of legislation has provided a framework to guide and measure transformation activities.

The advertising industry has been criticised for its slow empowerment advancement, which led to two parliamentary hearings in the early 2000s to investigate allegations of racism and poor transformation progress. The Association for Communication and Advertising (ACA) gave full cooperation during the parliamentary hearings and has been a main driving force of transformation within the advertising industry. The ACA's dedication resulted in the Marketing, Advertising and Communication (MAC) sector charter being gazetted on 29 August 2008 (Jones, 2008).

There are few studies that have effectively investigated transformation and BEE progress within the South African advertising industry over recent years. Of these, none has yielded rich qualitative BEE data. Therefore, the main objective of this study was to explore progress made by advertising agencies towards transformation in the Cape Peninsula, as well as the challenges and benefits that result from implementing BEE measures in terms of BBBEE ownership and Employment Equity (EE). These elements have been thoroughly examined by utilising a multiple case study approach and by interviewing the top twelve traditional full-service advertising agencies through use of a semi-structured interview guide, which primarily generated in-depth qualitative data.

Cape Town based advertising agencies readily provided a wealth of data, which illuminated numerous previously unexplored positive and negative BEE issues. Recent BEE internal advertising agency documents, literature, surveys and other research studies were used to corroborate and verify the findings in order to reach a consensus, compromise or disagreement in the subsequent discussion. The advertising industry has employed a multitude of innovative BEE strategies to facilitate transformation progress and to address a number of inherent problems. This has resulted in several success stories and numerous benefits as Cape Town based advertising agencies have embarked on their varied transformation journeys. The recommendations of this study would be useful to the national advertising industry, other sectors and government to assist in streamlining the transformation process in SA.

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LIST OF ABBREVIATIONS

AA   Affirmative Action

AAA   Association of Advertising Agencies

ABVA   Association of BEE Verification Agency

ACA   Association for Communication and Advertising

AMASA   Advertising Media Association of South Africa

AMF   Advertising Media Forum

AMPS   All Media Product Survey

ANC   African National Congress

ARG   Adjusted Gender Recognition

ASA   Advertising Standards Authority

ASOM   Association of Marketers

ATL   Above-the-line

BBBEE   Broad-Based Black Economic Empowerment

BEE   Black Economic Empowerment

BMF   Black Management Forum

BTL   Below-the-line

CAFCOM   Consumer Affairs Committee

CAFé   Communication and Advertising Forum for Empowerment

CAQDAS   Computer Assisted Qualitative Data Analysis Software

CEE   Commission for Employment Equity

CEO   Chief Executive Officer

CPUT   Cape Peninsula University of Technology

CTRU   Cape Town Routes Unlimited

DIT   Durban Institute of Technology

DMASA   Direct Marketing Association of Southern Africa

DoC   Department of Communication

DTI   Department of Trade and Industry

EE   Employment Equity

EME   Exempted Micro-Enterprises

FCB   Foote Cone Belding

FCST   Freedom of Commercial Speech Trust

FEI   Freedom of Expression Institute

FMCG   Fast Moving Consumer Goods

GCIS   Government Communication Information System

GDP   Gross Domestic Product

HR   Human Resources

ICASA   Independent Communication Authority of South Africa

IMM   Institute of Marketing Management

JSE	Johannesburg Stock Exchange
JWT	James Walter Thompson
KPMG	Klynveld Peat Marwick/McClintock Goerdeler
MAC	Marketing, Advertising and Communications
MAPPP	Media Advertising Publishing Printing and Packaging
MASA	Marketing Association of South Africa
MD	Managing Director
MDDA	Media Development and Diversity Agency
MDF	Media Directors Circle
MFSA	Marketing Federation of Southern Africa
NAB	National Association of Broadcasters
ND	National Diploma
NDP	National Development Policy
NEP	New Economic Policy
OAASA	Outdoor Advertising Association of South Africa
OHMSA	Out of Home Media South Africa
PDI	Previously disadvantaged individual
PMG	Parliamentary Monitoring Group
PMSA	Print Media South Africa
PPP	Public Private Partnerships
PR	Public Relations
PRISA	Public Relations Institute of Southern Africa
QSE	Qualifying Small Enterprises
RDP	Reconstruction and Development Programme
RITAG	Research Industry Transformation Action Group
SA	South Africa
SAARF	South African Advertising Research Foundation
SABC	South African Broadcasting Corporation
SACDC	South African Communication Design Council
SAIID	South African Institute of Interior Design
SANAS	South African National Accreditation System
SAPO	South African Post Office
SETA	Sector Education and Training Authority
SMME	Small, Medium and Micro-Enterprises
TBSP	The Bryan Slingers Partnership
TEC	Top Empowerment Companies
TJDR	The Jupiter Drawing Room
TSC	Transport, Storage and Communication
UCT	University of Cape Town
USA	United States of America

CHAPTER ONE
OVERVIEW OF TRANSFORMATION RESEARCH

1.1   Introduction

"South Africa (SA) has lived through a heady decade of democracy: Three elections, three cabinets, two presidents, a freshly hewn constitution, numerous new acts of parliament and the first flickering of economic transformation" (Southey, 2004:1).

Black Economic Empowerment (BEE) has been a consistent feature, which began in 1994 when several major companies sold control to Black empowerment consortiums (Coulsen, 2004:19-20). Some empowerment deals met with resounding success, while others failed. However, important lessons were learnt in respect of how to make empowerment work. Companies in SA were required to significantly increase the number of previously disadvantaged individuals (PDIs) within their workforce when the Employment Equity (EE) Act was passed into law in 1998. Renewed emphasis has been placed on empowerment with the promulgation of the Broad-Based Black Economic Empowerment (BBBEE) Act in January 2004 and climaxed with the gazetting of the BBBEE Codes of Good Practice in February 2007. BEE is vital to ensure that the new democracy has a solid foundation and affords all South Africans an equitable opportunity to attain prosperity.

In their second year of study, Cape Peninsula University of Technology (CPUT) students, whilst reading for the National Diploma (ND) Marketing, were given an assignment to visit advertising agencies. The objective of the assignment was for students to observe and understand how an advertising agency operates. A report was written on the information gathered, as well as individual experiences. A majority of students commented that few Black employees were observed at the advertising agencies that they visited.

It is from this background, as well as extensive reading of marketing publications, which include a proliferation of articles referring to empowerment deals and transformation of the advertising industry, that awareness of the problem first arose. Further investigation regarding transformation of the advertising industry has uncovered and continues to reveal certain findings (for example, a few advertising agencies have implemented ground-breaking BEE measures), as the topic is explored in greater depth.

1.2   Background study

1.2.1   History of the advertising industry

SA's first advertising agents began to appear in the 1890s; however it was not until the 1920s that anything resembling a modern agency first appeared. By 1924 the number of recognised agencies had grown to fourteen. The start of several of today's leading agencies during the 1920s. The third largest advertising agency in SA, Foote Cone Belding (FCB), was founded in 1926 (Koenderman, 2000a).

An advertising surge took place in the early 1980s, while the number of advertising agencies grew to forty-six. Agencies enjoyed extraordinary expansion as a result of the introduction of an important new medium, namely television. Over the short term, it generated growth in total advertising spend of 26% per year for the five years of economic prosperity. Modern history of SA advertising can be dated from this period. It ended when civil unrest and PW Botha's "Rubicon" speech rendered the country into a political and financial crisis. Despite this period, advertising was one of the few areas where SA could still claim to be world class, and the main reason for this was probably political. Years of economic isolation strengthened advertising in two ways. Firstly, there was globalisation, which stifles creativity because frequently the job of local agencies is not to produce creative ideas, but to implement global campaigns. Because of sanctions, SA was isolated from this development. Secondly, in a society that was marked by censorship and the absence of cultural or political freedom, advertising flourished as one of the few acceptable kinds of artistic freedom and it attracted several best creative minds (Koenderman, 2000b).

In SA, the recovery from this period was slow and the advertising industry mirrored the economy as political transition of the early 1990s took place. By the middle of the 1990s, pressures for change began to mount. Transformation became a key word in the 2000s, as the advertising industry moved slowly to keep pace with the changing socio-political situation.

1.2.2   Criticism levelled at the SA Advertising Industry

Severe criticism has been directed at the South African advertising industry for its slow pace of transformation since the first democratic elections of 1994. Accusations levelled by critics, namely government officials, advertising periodical writers, advertising industry members and stakeholders, demonstrate the uphill battle that the advertising industry has faced during the transformation process.

Wortley (2002), of the Advertising Media Forum (AMF) has declared that she would not like to be Black in the advertising industry. Kekana (2003:6), chairperson of the parliamentary Portfolio

Committee on Communications, believed that advertising had a long way to go before it represented SA and that it was failing the country. MTN general manager, Samuels (2005:102), asserted that if White leadership continued to dominate the advertising industry and nothing was done to promote Black leadership, then it would remain in a state of flux. Nkosi (2006:16), executive chairperson of The Mediashop, believed that advertising management did see a need for transformation. However, their approach was short-sighted, since it mainly focused on complying with scorecards, rather than managing diversity to transform society. The founding partner of Metropolitan Republic, Warner (2007:14), emphasised that a lack of legitimate BEE credentials had become more difficult to conceal in the advertising industry and had begun to influence the way accounts were awarded.

There have been several debates about racism and much criticism has been levelled at the advertising industry's slow transformation process over the last ten years of democracy, however change has taken place and much has been achieved within SA. However, transformation should be accelerated as the 2009 deadlines for the Association for Communication and Advertising's (ACA) quantitative objectives, as set out in the Marketing, Advertising and Communications (MAC) Transformation Charter, are fast approaching.

1.3   Association for Communication and Advertising (ACA)

The ACA, formerly known as the Association of Advertising Agencies (AAA), has for a long time been aware of the need for meaningful transformation within the advertising industry and from 1996 the ACA Board actively addressed the issue. The ACA changed its name to reflect the advertising industry's wish to remain relevant in terms of a transforming SA and the global economy. This professional advertising body represents the collective interests of its member advertising agencies and is estimated to represent 80% of total advertising and marketing communication expenditure by marketers, which is in the region of R16 billion per annum. To date, membership of the ACA consists of 26 advertising groups or 93 individual advertising agencies (ACA, 2007a).

The ACA's journey to transform itself formally began on 23 February 2000 when the first ACA Transformation Charter was signed by every ACA member advertising agency. A self-imposed quantitative industry transformation of 40% Black representation was established for the year 2004. The advertising industry also established a target of 26% for Black ownership, which should be achieved by 2009 (Clayton, 2004). Advertising agencies would be barred from government business, as well as multinational and other private sector business, without a minimum of 26% of Black ownership (Koenderman, 2002a:66). This commitment to transformation was also demonstrated when the ACA gave its full co-operation to the Government Communication Information System (GCIS) and the Department of Communication (DoC) during the 2001 and 2002 parliamentary hearings that investigated accusations of racism within the advertising and marketing industry.

The ACA believes that it should merge industry stakeholders who define the entire advertising industry, in other words, marketers, the media, media buying companies, advertising agencies and suppliers. ACA's commitment to proceed with transformation (Clayton, 2004), was confirmed by a draft scorecard in 2004 and two subsequent Transformation Charters (in 2005 and 2007). Their efforts have ultimately paid dividends, when their most recent MAC Transformation Charter was gazetted on 29 August 2008 (Jones, 2008).

1.4 Parliamentary public hearings

1.4.1 Racism in the advertising and marketing industry - first parliamentary public hearings

The first of two parliamentary hearings, which investigated racism in the advertising and marketing industry, was held on the 6 and 7 November 2001. The hearings were chaired by Mr Nkenke Kekana (chairperson of the parliamentary Portfolio Committee on Communications) and submissions were heard from a variety of government departments, advertising, media and marketing individuals and associations, namely DoC, GCIS, Chris Moerdyk (marketing and media consultant), Advertising Standards Authority of SA (ASA), AAA (presently known as the ACA), National Association of Broadcasters (NAB), Association of Marketers (ASOM) that amalgamated with the Institute of Marketing Management (IMM) and Direct Marketing Association of Southern Africa (DMASA), which formed the Marketing Federation of Southern Africa (MFSA), Advertising Media Forum (AMF), which is presently known as the Media Directors Circle (MDF), Freedom of Expression Institute (FEI), Freedom of Commercial Speech Trust (FCST), Johnnic Publishing and the South African Broadcasting Corporation (SABC).

Kekana (PMG, 2001a) stated that the purpose of the hearings was to allow benefactors of the advertising and marketing industry an opportunity to voice their frustrations concerning racism and other transformation issues. The Communications Portfolio Committee raised questions relating to the internal governance of the associations (for example, representation of the boards), measures to effect transformation and effectiveness of the advertising regulatory bodies. Questions were also raised with regard to steps that are taken to increase representation within the industry - particularly the number of Black students that are entering the industry. Kekana ended the first parliamentary hearings by stating that all contributions would be utilised to help find a means to eradicate impediments to enter the advertising market. He also stated that the industry should develop transformation and that a task group should be established to address related concerns. The first plenary meeting for advertising stakeholders took place on the 6 December 2001, where it was decided that transformation of the advertising industry was essential. Task groups were formed to deal with a number of issues that ranged from representation and ownership, to content-related matters (McDonald, 2001).

1.4.2 Transformation of the advertising and marketing industry - second parliamentary public hearings

The second parliamentary hearings were held on 12 and 13 November 2002. The primary purpose was to address industry problems and to report back on progress made in terms of transformation (PMG, 2002a). The hearings were chaired by Mr Nkenke Kekana and submissions were heard from the ASA, AoM, Consumer Affairs Committee (CAFCOM), GCIS, DoC, Department of Trade and Industry (DTI), MFSA, Durban Institute of Technology (DIT now DUT), AMF, AC Nielsen, ACA, NAB, Print Media SA (PMSA), South African Advertising Research Foundation (SAARF) and Communication and Advertising Forum for Empowerment (CAFé).

A number of issues were highlighted that ranged from development of a framework for transformation, to assessing what promotes and hinders EE in a document called "The Way Forward" (SA. GCIS, DOC & DTI. 2002a). The Deputy CEO of GCIS, Mr Trew (Trew, 2002), ended the second public hearings by declaring that transformation progress had a long way to go, and that the hearings were a step in the right direction. The advertising and marketing industry signed the Values Statement on the 23 April 2003, which committed the advertising and marketing industry to adopt the following values: "Inclusivity and diversity, to be the soul of the nation, have respect and human dignity, take into consideration business and people's needs and undertake responsible creativity. This commitment must not place limits upon the various freedoms enshrined in the Constitution and protected by the Bill of Rights, especially Freedom of Expression. On signing this values statement, we, the leaders of the marketing and communications industry, commit ourselves to the attainment of an industry, which is reflective of SA society in its make-up, its business practices and its products and an industry, which is committed to maintaining high standards of creativity executed in a sensitive manner" (ACA, 2003).

1.5 Legislation

Two government Acts have provided direction to the transformation process in SA, since the first democratic elections in 1994. These are the EE Act No. 55 of 1998 and the BBBEE Act No. 53 of 2003.

1.5.1 Employment Equity (EE) Act

The EE Act has two main objectives, namely to eliminate unfair discrimination and to implement affirmative action (AA) measures. All employers are required to accomplish the first objective, which is to ensure that the workplace is free of discrimination, while designated employers are required to take active steps to promote EE, which is to implement AA measures. Designated employers include all employers that employ 50 or more employees, or that employ fewer than 50 employees, but have a total annual turnover that is equal to or greater than the applicable turnover of a small business in terms of Schedule 4 of the Act. The annual turnover is R10 million for the

transport, storage and communication (TSC) sector. It is important to note that a designated group (or PDIs) includes Black people, women and people who have disabilities (SA. DoL, 2004a).

The first step to promote EE is to adopt an AA policy, in principle. The policy should be properly formulated and will form the basis of the audit, the EE plan and the future strategy of the company. The employer should conduct an analysis of its employment policies, practices, procedures and the working environment in order to collect information. The analysis should include a profile within each occupational category and level in order to determine the degree of under-representation of people from designated groups within these occupational categories and levels.

The next step is to prepare and implement an EE plan, which is based on the audit. The plan should be of such a nature that it will achieve reasonable progress towards EE. The company should provide a summary of its EE plan to the DoL and submit a progress report on the plan to the Director General of the DoL annually for 150 employees or more and every second year (that ends with an even number) for fewer than 150 employees (ACA, 2004a).

1.5.2 Broad-Based Black Economic Empowerment (BBBEE) Act

The BBBEE Act was promulgated in 2004 and resulted in a renewed impetus for empowerment in SA. The objectives of the Act are to facilitate BBBEE 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, co-operatives 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 BEE" (SA. DTI, 2004a:4-5). Chinese people have now also been deemed to be Black, according to a landmark high court decision, which was effected on 18 June 2008 (ABVA, 2008a).

Government, via the Trade and Industry department's BBBEE Act, has established guidelines by means of a balanced scorecard, in which broad-based empowerment can be implemented and measured. Therefore, BEE is no longer measured only by the redistribution of ownership, but resides on seven pillars, namely ownership, management, EE, skills development, affirmative (or preferential) procurement, enterprise development and corporate social investment (SA. DTI, 2005a:6).

It is important to note that the EE Act defines designated groups or PDIs as Black people, women and people who have disabilities. This definition includes White women, whom some believe were the greatest beneficiaries of AA during the first decade of democracy. The BBBEE Act refers to Black people only; hence, the EE Act should be amended to bring it in line with the BBBEE Act. The BBBEE Codes of Good Practice was gazetted on 9 February 2007.

From an advertising perspective, the BBBEE Act makes provision for gazetting sector charters for general information, giving them recognition as a key driver of BEE and giving industries an opportunity to pursue consultative discussions on BEE. The ACA handed over the proposed MAC Transformation Charter to government on 9 September 2007 and, as mentioned in prior text, was gazetted on 29 August 2008 (Jones, 2008).

1.6   Current state of affairs

Despite the strides made in transformation, with most frontline advertising agencies completing BEE deals over the past decade, over 70% of respondents in the AdFocus 2007 opinion survey of senior advertising executives state that they still experience transformation difficulties. One managing director (MD) said that the biggest issue facing the industry was that new talent was not being attracted. There is also a concern among advertising agency leaders that in spite of transformation efforts, not enough has been done to nurture a new generation of leaders. A total of 80% of those surveyed stated that relations with government could be better and that government had little idea of the notion or importance of advertising and its role in the economy (Maggs, 2007a:109).

The ACA has conducted research regarding transformation of the advertising industry since 1998, although most research was conducted as a direct result of the parliamentary public hearings. The government commissioned an independent research company, namely Prodigy Business Services, various government departments and advertising stakeholders to conduct research in order to make submissions at the hearings. Research has also been conducted by empowerment organisations, namely Top Empowerment Companies (TEC), Empowerdex and the Black Management Forum (BMF), periodicals such as Financial Mail and Finance Week, as well as several national quantitative surveys commissioned by government and KPMG to measure the state of BEE in SA after the gazetting of the BBBEE Codes of Good Practice.

The ACA undertook to review targets annually via the ACA employee cost to agency survey, which measures representation in various categories and the ACA empowerment equity survey, which measures ownership. Data from the most recent survey (2006) indicates that Black equity ownership is currently 37.6%, although over 24% of advertising agencies still have no Black shareholding. Black representation was measured at 40.2%; however, the total number of Black females was below 24% (Da Silva, 2006).

"Transformation has a long way to go on all counts. Transformation will be an uphill battle and promoting the important role advertising plays in the economy and society, will take a lot of courage, determination and hard work. But there is every indication that the ACA has the bit between its teeth" (Moerdyk, 2004:75).

1.7 Formulation of the research problem (research question)

The advertising industry is unique as it is self-regulated and has zealously guarded this fact, since it is one of the few industries in SA that has this privilege. The ACA is a self-regulatory organisation (SRO) for advertising agencies in SA, which established a mandate for all its members with the signing of the MAC Transformation Charter. However, since it has only been gazetted under Section 12 of the BBBEE Codes of Good Practice, it is not binding on advertising agencies and reflects the industry's commitment to transformation (SA. DTI, 2007a:28). Therefore, advertising agencies are compelled to adhere to government legislation, but are encouraged to strive for attainment of the objectives, which are outlined in this charter, since it will ultimately be gazetted in terms of Section 9 of the BBBEE Codes of Good Practice, which is prescriptive.

The research question is as follows: What transformation progress have advertising agencies in the Cape Peninsula made by implementing BEE measures and complying with the BBBEE Codes of Good Practice scorecard and/or the MAC Transformation Charter?

1.7.1 Sub-problems

1.7.1.1 Sub-problem (research question) one

What challenges face advertising agencies in the Cape Peninsula, in striving to comply with BBBEE ownership and EE (Black representation) targets? How have advertising agencies in the Cape Peninsula addressed these challenges?

1.7.1.2 Sub-problem (research question) two

What are the additional benefits that advertising agencies in the Cape Peninsula have received for having a transformation agenda, over and above complying with BBBEE ownership and EE targets?

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1.8   Objectives of the research

1.8.1   Primary objective

To explore transformation progress at advertising agencies in the Cape Peninsula by assessing implementation of BEE measures and compliance with the BBBEE Codes of Good Practice scorecard and/or the MAC Transformation Charter.

1.8.2   Secondary objectives

1.8.2.1 Secondary objective one

To investigate challenges that face advertising agencies in the Cape Peninsula, while striving to comply with BBBEE ownership and EE targets. This objective also investigates how advertising agencies in the Cape Peninsula have addressed these challenges.

1.8.2.2 Secondary objective two

To examine additional benefits that advertising agencies in the Cape Peninsula have received, for having a transformation agenda, over and above complying with BBBEE ownership and EE targets.

1.9   Delimitations of the research

Advertising agencies within the Cape Peninsula were included in the study, as the Cape has been the most criticised for its slow transformation compared to other provinces in SA.

The study primarily focuses on two of the seven BBBEE elements, namely BBBEE ownership and EE. These were the two initial BBBEE elements, which were mandated in the first industry Transformation Charter and hence advertising agencies have had the longest opportunity to focus their efforts on attaining targets in the BBBEE Codes of Good Practice scorecard and/or the MAC Transformation Charter. Other BBBEE elements include management control; skills development; preferential procurement; enterprise development; and socio-economic development initiatives. The aforementioned empowerment factors fall beyond the scope of this BEE study and will not be formally investigated, but will be referred to since they emerged in the data collection and are inherently connected to the two BBBEE elements, which are examined in this BEE study.

All advertising agencies in the Cape Peninsula that are classified as designated employers, in terms of the EE Act, were included in the study. Designated employers are those advertising agencies that employ 50 or more employees, or that employ fewer than 50 employees, but have a total annual turnover that is equal to or above the applicable turnover of a small business in terms of Schedule 4 of the EE Act. The annual turnover is R10 million for the TSC sector. Advertising agencies outside the Cape Peninsula and those that are not classified as a designated employer, fall outside the ambit of this BEE study.

Traditional full-service advertising agencies that focus on above-the-line (ATL) advertising were included, in other words, those that offer clients the following key services: creative services, media planning and buying, production, account planning and management. Therefore, creative, media, in-house, below-the-line (BTL) and virtual agencies, fell outside the scope of this BEE study.

1.10   Research methodology

A comprehensive literature review was conducted, while the bulk of the information was taken from SA government departments, periodicals, advertising industry related organisations, websites and recent studies on BEE.

Challenges and benefits from implementing BEE measures in the advertising industry by advertising agencies in the Cape Peninsula were investigated in terms of their transformation progress by utilising a multiple case study research design (a qualitative research approach).

The research population consisted of twelve participating agencies, incidentally the top twelve advertising agencies in the Cape Peninsula (in terms of income), which were eligible to participate in the study based on the above delimitations. A census of the research population was conducted when all twelve participants were interviewed (on a face-to-face basis) by using a semi-structured interview guide that generated in-depth qualitative and quantitative data. Documents in the form of BEE contribution certificates and EE plans were also collected from the advertising agencies, which provided additional quantitative and qualitative data and assisted the verification process of the findings from the interviews.

The ethnographic content analysis approach was used to analyse data that was gathered from the interviews and documents. Ethnographic content analysis is a practical approach, which was used to investigate the experiences of the advertising agencies and allowed for a descriptive analytical framework to be created in order to organise the case studies (Yin, 2003:114). Priori coding (also referred to as deductive analysis) was utilised to establish themes, since the same questions were

asked in the semi-structured interviews. Each theme was explored in terms of recurring patterns and associated text to identify different views and elements that emerged to reveal a number of categories (Ritchie & Lewis, 2003:237-239).

The categories and cases were displayed in tables and figures by using the question-and-answer format to allow readers to swiftly absorb large amounts of data at a glance and to facilitate easy cross-case analysis (Yin, 2003:147-148). The categories were analysed to obtain an understanding of the data and conclusions, which were compared to the literature review and past studies, in order to reveal significant connections and deviations from this BEE study's results (Mouton, 2001:124).

1.11   Significance of the research

This is one of the first BEE studies to have successfully gathered qualitative data on the topic of BEE from the Cape Peninsula advertising industry in recent years.

The findings provide an in-depth analysis of endeavours that advertising agencies have undertaken in order to transform by implementing BEE measures and by complying with the BBBEE Codes of Good Practice scorecard and/or the MAC Transformation Charter.

The study highlights challenges that advertising agencies in the Cape Peninsula have faced and benefits that they have received by implementing BEE measures, however, more significantly, it reveals how they have addressed these challenges.

The research should be of value to SA advertising agencies, related industry bodies and affiliated government departments, as it provides valuable information with regard to the current state and progress made in terms of the abovementioned transformation factors.

1.12   Conclusion

The first chapter has provided a brief overview concerning criticism directed at the SA advertising industry for its slow transformation, the transformation process, legislation and major role-players. Formulation of the research problem and objectives of the research have also been described in detail, while the delimitations of the research, the research methodology, together with the significance of the research, were fully explained. The following three chapters provide a comprehensive literature review of the SA advertising industry, the transformation process and the status quo.

CHAPTER TWO

SOUTH AFRICAN ADVERTISING INDUSTRY ROLE-PLAYERS

2.1 Introduction

Consumers are exposed to hundreds of advertisements daily that influence what they buy, how they think, set trends and often depict their hopes and dreams. This is why it is important that the 5 000 people who work within the advertising industry should represent all race groups in SA. As mentioned in the previous chapter, the SA advertising industry has been criticised for its slow pace of transformation. This chapter provides a summary of traditional advertising agencies that operate in SA and provide a greater depth of information on advertising agencies in Cape Town, specifically. In addition, key advertising bodies, government departments and other role-players that are involved in the advertising industry's transformation process, are also discussed.

2.2 History of the advertising industry

Advertising was created with the development of news and entertainment media in the 1700s. Newspapers first began to feature advertising that modern-day readers would recognise in approximately 1700. The front pages of early newspapers were packed with advertisements, most of whose claims could not be authenticated. It was not until the 1760s that *The Times* placed news on the front page and advertisements in the inner pages of the newspaper. Volney Palmer created the notion of an advertising agency in 1841 and started a business in Philadelphia where he acted as a middleman between media and advertisers. Every major advertising medium, principally, provides news or entertainment. This provides audiences to advertisers and, therefore, generates revenue. Consequently, magazines first started to feature advertisements in the early 1900s, followed by radio and cinema in the 1930s and television in the 1950s (television was only introduced in SA in 1976) (Koenderman, 2000a).

SA's first advertising agents began to appear in the 1890s, but it was not until the 1920s that anything resembling a modern advertising agency first emerged. SA's media commission system percentage was changed to 16.5% (compared to 15% in the rest of the world) in 1939. A possible explanation for the increase is that 1% was originally given to cover additional costs of producing advertising material in two languages (English and Afrikaans) and an extra 0.5% (presently 1%) was added to cover the tariff to fund SAARF whose main product is the All Media Product Survey (AMPS). By 1924 the number of recognised advertising agencies had grown to 14. The beginning of several of today's leading advertising agencies occurred in the 1920s. The largest advertising

agency in SA, FCB, was founded in 1926 and J. Walter Thompson, which still operates under the same name, was founded in 1927. Presently, ACA's membership is 26 groups, which comprise of more than 84 advertising agencies (Koenderman, 2000a).

The advertising industry has slowly recovered since the Apartheid era, by mimicking the SA economy as political change occurred in the early 1990s. Pressure was placed on the advertising industry to transform in the late 1990s as international companies began to return to SA and profit margins were affected by more demanding clients. BEE is on the agenda of all major advertising agency boardroom meetings and will continue to make its presence felt as SA undergoes socio-political transformation (Koenderman, 2000b).

The history of SA's advertising industry, discussed in the aforementioned text and in Chapter One, reveals that advertising agencies are no strangers to the challenges that accompany change and have prosperously adapted to prevailing economic and political circumstances, whether good or bad. Therefore, advertising agencies have embraced transformation and BEE, albeit at their own pace, in order to continue to entertain audiences and continue to profitably generate income.

2.3   Advertising agencies

An advertising agency can be defined as an independent business, which specialises in the creation, production and placement of communication messages in a manner that customers reward the brand, product and service with their loyalty, while value is added to the advertiser's offering (Belch & Belch, 2007:70).

2.3.1   Key role-players in advertising

The above definition of an advertising agency indicates that the advertising industry is based on a series of relationships between five main partners, namely the marketer (advertiser or client), advertising agency, service suppliers, media and target market. Wells, Burnett and Moriarty (2003:16-20) describe these players as elements of the communication value chain. Figure 2.1 provides an overview of the communication value chain.

Wortley and Tshwaedi (2002) propose that since marketers are on top of the communication value chain and commission marketing communication, as well as control the budgets, they should drive the transformation process and stipulate that the role-players, who are below them in the communication value chain, should also transform. Preferential procurement's purpose is to

encourage marketers to spend their budget on media and advertising with suppliers (the other role-players) who have good BEE credentials, as means to drive transformation through the communication value chain.

The marketer identifies a consumer need that is not totally fulfilled by the current offerings and establishes that the need is shared amongst a larger enough group of people that have the means to purchase the product offering.

↓

The marketer constructs a product offering to meet consumer needs – all the elements of the marketing mix (product, price, promotion and place) should be balanced.

↓

It is determined that ATL advertising can play a role in the promotion of the brand. Marketers and advertising agencies develop creative concepts based on consumer insights and key purchasing motivators. These are established with the help of research services.

↓

A media planning agency (or agency's media department) is briefed, to find a cost effective means, to reach identified consumers. Marketers seek to maximise share of mind with their brands and not necessarily the cheapest buy.

↓

The communication plan is developed (in conjunction with the creative department or agency) to meet the client's objectives, usually within a prescribed budget.

↓

Figure 2.1: Communication value chain

(Tshwaedi & Wortley, 2002)

2.3.1.1 Marketers

Marketers (advertisers or clients) begin the advertising process with products, services or causes that should be marketed and provide funds that pay for advertising and promotions. Marketers assume responsibility for developing the marketing program and make the final decisions regarding the advertising program, target market, the media, advertising budget size and length of the campaign. The largest South African advertiser, namely Unilever, spent R628 million in 2007 on media alone (Koenderman, 2008a:44). Table 2.1 outlines the top 20 advertisers in SA.

Table 2.1: Top 20 advertisers in SA

Rank	Advertisers	All Media 2007	Change 2006	Rank	Advertisers	All Media 2007	Change 2006
		Rm	%			Rm	%
1	Unilever SA	628.0	42.02	11	Distell	252.7	21.61
2	Vodacom	486.8	11.96	12	Reckitt & Benckiser	246.7	18.72
3	Shoprite	443.3	3.87	13	Ford Motor	245.2	9.27
4	MTN	438.0	3.38	14	JD Group	242.1	-0.74
5	Pick 'n Pay	402.2	13.52	15	Cell C	239.9	-12.06
6	National Government	328.3	63.25	16	Nedbank	230.3	-5.88
7	Standard Bank	314.4	22.62	17	Coca-Cola SA	229.8	13.88
8	FirstRand Bank	286.5	23.12	18	Telkom	213.9	19.97
9	Absa	283.5	23.05	19	Brandhouse	199.6	39.78
10	SABMiller	273.3	40.23	20	Tiger SA	197.0	-1.99

(Koenderman, 2008a:44)

Marketers spend huge sums of money to promote their products and services as can been seen from the above table, of which a majority flows through role-players (advertising agencies, media and service suppliers) in the value communication chain. As mentioned in prior text, marketers should promote BEE in order to drive transformation throughout the economy by demanding healthy BEE credentials from their suppliers. However, this has not happened in some instances, since a number of advertising agencies have observed that when pitching for new business, their BEE credentials were not requested.

2.3.1.2 Advertising agencies

Advertising agencies are independent and are not owned by the advertiser, hence they bring objective perspectives to the marketer's company. A marketer uses an outside advertising agency because they believe that the advertising agency will be more efficient in creating an individual advertisement or full advertising campaign. Advertising agencies typically employ a combination of business (individuals employed in the accounts department are called "suits") and creative (persons employed in the creative department are referred to as "creatives") people that have strategic and creative expertise, a talented workforce, ability to negotiate good media deals and competence to solve marketing situations or problems (Wells, Burnett & Moriarty, 2003:17).

2.3.1.3 Media

The primary purpose of media is to provide entertainment and information to their audience. From a media planner perspective, the purpose of media is to provide a mechanism, which delivers the marketer's communication message. The media should have program content that attracts consumers and delivers the communication message in a way that is fitting to the creative effort. A media owner's primary objective is to market itself so that advertisers will reach their target markets effectively with their messages and, hence, want to purchase space or time from them (Wells, Burnett & Moriarty, 2003:18-19). The importance of advertising in SA is reflected by the amounts that advertisers spend on promoting their products/services.

Table 2.2: ATL advertising spend by medium

Category	2007 Rm	2006 Rm	2005 Rm	2004 Rm	2003 Rm
TV	9 379.4	7 704.4	6 321.9	5 577.0	4 410.8
Print	9 111.9	8 027.7	6 811.5	5 686.1	4 742.8
Radio	2 964.7	2 645.9	2 363.2	1 930.4	1 695.2
Outdoor	1 161.1	1 023.3	788.2	623.6	516.8
Cinema	359.5	393.3	591.2	253.7	87.1
Internet	272.0	174.1	140.7	115.9	49.0
Direct mail	139.9	136.3	121.5	122.2	119.5
Total	**23 388.6**	**20 102.1**	**17 138.1**	**14 308.9**	**11 621.1**

(Koenderman, 2006a:32 & Koenderman, 2008a:46)

Over R23 billion was spent on ATL advertising in 2007 and it can be seen from Table 2.2 that this figure has doubled over a five year period. This displays how quickly the advertising and media industries have expanded in a period of relative economic prosperity in SA, which means that advertising agencies should appreciably increase staff to keep up with the greater demand for their services. This has created a problem, since there is a shortage of suitably qualified Black PDIs in the advertising industry, especially at senior levels (called 'heavy-weights'), since it takes five to ten years to gain sufficient experience to become a 'heavy-weight'. This problem emerged in the findings and is explored in the "Types of agencies" and "Discussion of results" sections, respectively.

2.3.1.4 Service suppliers

Services suppliers assist marketers, advertising agencies and media to complete the advertising process effectively. Advertising parties hire service suppliers for the following reasons: the advertisers may not have expertise in that area; they are overloaded with work; they want a new perspective; or they do not use the service often enough to have their staff perform the task. They are often cheaper. Wells, Burnett and Moriarty (2003:19) list the following service suppliers:

- Market researchers;
- Freelance copywriters and songwriters;
- Photographers and graphic artists;
- Package design companies;
- Media buying services;
- Printers;
- Direct-mail production houses;
- Video production houses;
- Event marketing companies;
- Telemarketers; and
- Public relations (PR) consultants.

Other specialised service agencies provide specific marketing communications services in their areas of expertise and include:

- Interactive agencies to develop websites and other interactive media;
- Direct-response agencies to develop and implement direct marketing campaigns;
- BTL agencies to develop and implement sales promotion campaigns, sponsorships, events and the BTL material; and
- PR companies to develop relationships and communications with the relevant publics, as well as to generate and manage publicity for the marketer (Belch & Belch, 2007:96-98).

Advertising agencies should carefully select their service suppliers and specialised service agencies, as it is important to conduct business with vendors that have adequate BEE credentials in order to promote transformation and also to improve their BEE scores via preferential procurement.

2.3.1.5 Target market

The target market or customers have a direct impact on the overall advertising campaign, especially the creative strategy and media strategy. The target market should be reached at a reasonable cost, with a message that they can comprehend and act upon. Even though there is a huge availability of information on target markets and a high cost of delivering communication messages, there is a possibility that these messages will not reach the appropriate audience or achieve the desired objectives. Accusations have been levelled at the advertising industry for ignoring certain segments of the South African market, either owing to a lack of understanding and/or as a result of too few Black PDIs that are employed at advertising agencies (Wortley & Tshwaedi, 2002). These allegations are debated in the "Discussion of results" section.

2.3.2 Types of agencies

Not all advertising agencies are classified as traditional full-service agencies that focus on utilising an ATL advertising message to reach its target market. Over the past few decades, several alternatives to traditional advertising agencies have developed. These agencies either specialise in specific functions (creative, media buying or BTL advertising), target markets (youth) or industries (computers, agriculture). There are numerous specialist agencies for every marketing promotional area such as BTL advertising, direct marketing, sales promotion, PR, events, packaging and point of sale. Furthermore, there are one-client, in-house, virtual, interactive, a la carte and rololex agencies (Koekemoer, 2004: 111-113). However, for the purposes of this research, traditional full-service advertising agencies that predominantly utilise ATL advertising, are included in the study. A traditional full-service advertising agency offers its clients four key functions:

- Creative services;
- Media planning and buying;
- Account management and planning; and
- Production.

The traditional full-service advertising agency usually has its own traffic department and administrative department and may offer the following: sales promotions (planning, creating and executing); package design; PR; marketing research; direct marketing; events management; interactive services; and experiential marketing, but predominantly focuses on ATL advertising (Wells, Burnett & Moriarty, 2003:82-86). Several traditional full-service advertising agencies are internationally affiliated and have clients, which they handle on a global basis, as well as in SA. Table 2.3 shows the largest traditional full-service SA advertising agencies in terms of staff numbers for the past 3 years, estimated income in Rand value and ATL and BTL percentages.

Table 2.3: Top national advertising groups in SA

	Advertising group name	# staff 2007[1]	# staff 2006	# staff 2005	Income Rm[2]	ATL %	BTL %
1	Ogilvy	737	651	621	350+	64	36
2	Draftfcb	693	644	675	300-350	70	30
3	TBWA SA	496	509	540	250-300	60	40
4	The Jupiter Drawing Room (TJDR)	442	280	224	253	55	45
5	Y & R Brands	343	309	308	225-250	65	35
6	BBDO SA	284	217	198	143-175	70	30
7	Grey Group SA	183	169	164	125-150	70	30
8	Saatchi & Saatchi (Saatchi)	170	162	145	90-100	80	20
9	JWT	166	170	172	170-200	65	35
10	Lowe Bull	140	144	143	80-100	70	30
11	Leo Burnett Group	108	105	99	60-70	70	30
12	KingJames Group	101	98	81	45.2	64	36
13	McCann World Group	96	87	91	60-80	40	60
14	Publicis	66	63	57	40-60	85	15

(Adapted from Koenderman, 2007a:22-23 & Maggs, 2007b: 53-102)

[1] Agencies are ranked by staff numbers since international agencies no longer supply financial figures.

[2] The income figures shown here for international advertising groups are estimates based on AdReview 2008, which are estimates based on audited figures supplied by SA advertising agencies.

As mentioned previously, the income and number of employees are important owing to the fact that only designated employers are included in the study. The fact that international agencies do not have to disclose their financial figures in SA is interesting, since in several instances it was difficult to obtain information from them, while unique problems emerged in this BEE study as a direct result of these international affiliations. Ten out of the top fourteen national groups have offices in Cape Town, all of which participated in this BEE study. As mentioned in prior text, the rapid growth in advertising and media spend has meant that advertising agencies needed to employ numerous staff in a short space of time. For example, TJDR has nearly doubled their staff complement (employing an additional 218 people) in three years, but the opportunity to employ Black PDIs in great numbers was diminished owing to the scarcity of aptly qualified candidates within the advertising industry. This problem is further examined in the "Discussion of results" section.

2.3.3 Cape Town advertising industry

The most recent figures from Statistics SA show that Gauteng contributed 33.3% to SA's gross domestic product (GDP), KwaZulu-Natal 16.7% and the Western Cape 14.4%, which makes up 10% of the population (Koenderman, 2008d:11). Koenderman (2008e:144) estimated that the Cape Town advertising market is about 20% the size of the Johannesburg market.

John Farquhar (2004), editor of Advantage magazine, provides a brief background of the Cape Peninsula advertising history:

"Cape Town was the main advertising city in the 1950s. It achieved this status because SA was not a manufacturing country of size. Most of the brands found in retailers were imported. The local agents for overseas brands were responsible for advertising. They took the easy way out and used overseas advertisements. The Reef developed in the late 1970s and head offices of local agents moved from Cape Town as did their advertising spend. Cape Town declined and Johannesburg started to boom and eventually became the advertising mecca. Cape Town has very little to sell in terms of advertising value. If it were smart it would concentrate on building creative expertise. There is a huge shortage in the country at present and it will get worse when the BEE charter comes into effect. The demise of tobacco advertising spend hit Cape Town. Traditional Cape Town marketers in the fast moving consumer goods (FMCG) area moved to Johannesburg. The wine industry faces restrictions; the financial industry is losing out to Johannesburg. Until the 1990s all the top Cape Town advertising agencies were locally owned. After that the Americans climbed in and bought all the big ones. Only small advertising agencies are locally owned."

The Western Cape is doing well in terms of the SA economy and makes the third largest contribution, although the Cape advertising industry is still far from achieving its full potential (Paice, 2004:18-20). This is largely as a result of intrinsic and unique problems that face the Cape Town advertising industry that will emerge from this BEE study.

2.3.3.1 Problems resulting in poor performance by Cape Town advertising agencies

There are a number of possible problems and/or reasons for Cape Town's underperformance in the advertising business:

- Paice (2004:18-20) states that the South African Government is a key commissioner of advertising work, but the fact that the Western Cape ruling party is different from the rest of the country, has resulted in Cape Town being viewed as an unfriendly city for Black South Africans. The Cape advertising industry has also not been affable to Coloured people, who comprise 55% of the region's population. Koenderman (2007b:148) added that Cape Town still struggled to attract the Black Diamonds (Black middle class) and that its biggest obstacle was to prove that it reflected the "the South African life", as well as to prove that it is as effective as Johannesburg's advertising agencies. These observations

have proved problematic for advertising agencies that need to attract Black PDI staff and this repeatedly emerged in the research findings.

- Kevan Aspoas, MD of TJDR, feels that Cape Town advertising agencies will continue to struggle to attract and keep Black talent if they do not pay competitive salaries, compared to Gauteng. He also maintains that although most agencies comply with racial profiles that are required by law, Black talent is not being developed; especially in bigger agencies with high-profile Black partners (Manson, 2005:102-105). He added in a later article that Cape Town does not represent the broader SA (Koenderman, 2007b: 148). The aforementioned citation touches on several problems in addition to those already mentioned, namely Cape Town pays less than Gauteng agencies and that Black talent is not being sufficiently trained.

- Charisse Tabak, MD of Nota Bene Cape Town, states that several Cape agencies have empowerment deals, but the partners are rarely given an opportunity to make a worthwhile contribution to the business. He added that mentoring and training Black PDIs happens on a small scale compared to Johannesburg (Koenderman, 2005a:105-108). Charisse Tabak reiterated Kevan Aspoas' views concerning a lack of training or mentorship of Black talent, but added that BEE partners did not play an active role in the business. Several advertising agencies are yearning for their BEE partners to work in the business, but in many instances this does not happen for reasons that materialised in the findings of this BEE study.

- Nicky Swartz, MD of TBWA Hunt Lascaris, stated that the greatest impediment of working in Cape Town was the progressively smaller amount of national marketing spend that the city attracts and felt that advertising agencies operate in a diminishing market (Paice, 2006:110-112). Koenderman (2008e:144) agreed with these sentiments and explained that several Cape Town-based advertising agencies operated in a small and overcrowded environment. Cape advertising agencies are forced to find clients beyond the borders of the Cape Peninsula in order to sustain business growth. This sentiment was verified by the participating advertising agencies and agreed that there was little government business in Cape Town (probably as a direct consequence of the political situation).

All of the aforementioned problems and several others were raised by Cape Town advertising agencies that participated in the study and are analysed in the "Discussion of results" section.

2.3.3.2 Reasons for improved performance by Cape Town advertising agencies

Cape Town's advertising industry historically did not have a good reputation, however, according to Ian Kaplan, operations director at Conceptualise, this image is improving (Koenderman, 2005b:105-108). Koenderman (2007b:148) stated that Cape Town advertising agencies have improved their attractiveness and are increasingly appealing to Johannesburg clients. This phenomenon appears to be a trend for 2008 and beyond.

There are several factors why Cape Town-based advertising agencies are regaining lost ground:

- Koenderman (2002b:58-60) maintains that there is an extraordinary community spirit among Cape Town advertising agencies compared to Johannesburg. He stated that Cape advertising agencies frequently inform each other about business opportunities and recommended rivals to clients when they could not undertake the business themselves. This occurrence was not confirmed by any of the participating advertising agencies, but is likely, since an advertising agency is ethically not allowed to hold two competing accounts (for example, two car manufacturers).

- Several small locally owned Cape advertising agencies have now grown to medium-sized businesses in the past three to four years. Examples of these are: Bester Burke (now Bester Burke Slingers after a merger with The Bryan Slingers Partnership), Lowe Bull, KingJames and TJDR (Koenderman 2002b:58-60). The growth of the Cape Town-based advertising agencies can be seen in Table 2.4.

- Brian Stockdale, MD of Draftfcb Cape Town, believes that business has begun to improve because existing clients are spending more. He thinks that this occurrence is largely because of greater client confidence and increased budgets. Nic Bednall, MD of Berry Bush BBDO, concurs that there is a rise in client spend. He believes that the increase is mainly because of improvements in the trading environments of retailers and manufacturers and that competitors are performing better than Cape Town-based brands; consequently, this has resulted in Cape-based clients improving their performance (Manson, 2005:102-105). The phenomenal national growth in media spend will also have a positive impact on the Cape Town advertising spend, but to a lesser extent when compared to Gauteng.

- Ilan Lazarus, media strategist at Media Co-ordination, feels that personnel at Cape Town advertising agencies are more laid-back in their customer relationships approach, as well as more open and easily accessible compared to Johannesburg advertising agencies. Charl Nel, Business director at 9November Union agrees, saying that Cape Town advertising agency staff are above-average creative thinkers and are more idea-driven than money-driven. He also noted that Cape Town agencies care more and, hence, offer greater value to brands on smaller budgets than Gauteng-based agencies (Koenderman, 2005b:105-108). Koenderman (2008e:144) added to this opinion and noted that Cape Town was an enticing place to live in and that many creatives were willing to take a diminished salary in order to enjoy a more laid-back style of life. This has been proven by the fact that Cape Town advertising agencies have won numerous advertising awards (for example, the Loerie Awards) in 2007 and 2008.

- Ian Young, MD of Saatchi Cape Town, says that Cape Town agencies distinguish themselves by concentrating more closely on client-agency relationships, which are mainly attributable to lesser amounts of work available. The result is longer term relationships, which lead to greater consistency and continuity in the management of Cape Town brands. He believes that much can be done to alter negative perceptions of Cape Town and by investing in its image, which will help ensure the local advertising industry's long-term prosperity (Manson, 2005:102-105). Some Cape Town advertising agencies

have retained clients for a period in excess of 40 years, which is rare in the advertising industry.

- Jacques Burger, MD of Ogilvy Cape Town, maintained that clients have observed how Cape Town agencies are able to run accounts remotely, with numerous flights every day between Johannesburg and Cape Town and with modern technology, location was no longer a problem. Alistair King, creative director of KingJames, agreed that location used to be a negative influence when pitching for Johannesburg accounts, but now geography no longer existed. He concluded by stating that this was a good thing for years to come (Koenderman, 2005b:105-108). Cape Town has been forced to go beyond its borders owing to problems raised in the previous section.

Koenderman (2005b:105-108) maintains that the future success of Cape Town's advertising industry lies in its own ability, as well as the intellectual and creative capital that it offers, coupled with the normal competitive dynamics. The research revealed several benefits of operating in Cape Town, which are disclosed in the "Discussion of results" section.

2.3.4 Background information on Cape Town agencies

Paice (2006:110-112) believes that Cape Town-based agencies have been influenced by changes in global marketing business, establishment of new agencies and a major increase in specialist agencies. There was also an increase in ATL advertising spend owing to the strong economy, business confidence of clients and new entrants in the marketplace. Table 2.4 depicts the largest advertising agencies in Cape Town in terms of staff numbers, estimated income in Rand value and ATL and BTL percentages.

Table 2.4: Cape Town advertising agency rankings

	Advertising agency name	Staff 2007	Staff 2006	Staff 2005	Income Rm	ATL %	BTL %
1	Ogilvy Cape Town	246	230	206	100-125	64	36
2	TJDR Cape Town	149	136	96	60.1	55	45
3	Draftfcb Cape Town	135	110	96	40-60	70	30
4	BBDO Cape Town	133	97	88	60-80	70	30
5	KingJames Group	87	78	67	36.9	64	36
6	Saatchi Cape Town	81	91	90	46-51	80	20
7	JWT Cape Town	48	44	43	20-30	65	35
8	Bester Burke Slingers	47	48	30	22	50	50
9	Lowe Bull Cape Town	41	38	37	25	70	30
10	Y & R Cape Town	40	21	28	10-20	65	35
11	Admakers International	33	28	25	96.7	50	50
12	Boomtown	31	28	25	6.9	40	60
13	TBWA Hunt Lascaris	24	25	45	20-25	60	50
14	FoxP2	8	9	-	5.5	45	55
15	Singh & Sons	8	5	-	9.1	50	50

(Adapted from Furlonger, 2008a:90; Koenderman, 2007b:150; Koenderman, 2007c:22-23; Koenderman, 2008f:146; Maggs, 2007b:52-99 and Maggs, 2007c:102)

Twelve traditional full-service agencies in the Cape Peninsula fall within the ambit of the study, since they are classified as a designated employer. The top twelve advertising agencies in terms of income were, therefore, included in the study, which would add credibility to the findings since they are the largest in Cape Town and, therefore, well established. The remaining three advertising agencies fall outside the scope of the study because they are not classified as designated employers (Boomtown, FoxP2 and Singh & Sons). Two of these advertising agencies were also not perceived as being traditional full-service advertising agencies (Boomtown and FoxP2), since they predominantly focussed on BTL advertising (their BTL percentage was greater than 50%), whereas the twelve advertising agencies included in the study all maintained ATL percentages of 50 or greater. Furthermore, FoxP2 and Singh & Sons have only been operating for two years and both have a staff complement of less than ten.

Two other significant observations are also clearly discernable from the Table 2.4 (Cape Town advertising agencies) when compared to Table 2.3 (SA national advertising groups). Firstly, the staff growth in Cape Town has been considerably lower when compared to national advertising groups (this means that most of the growth has taken place in Gauteng) and indicates the smaller size of the Cape Town market in relation to Gauteng, as well as the fact that it is more difficult to attract staff to Cape Town owing to lower salaries and other problems that have emerged from this BEE study. Secondly (following on from the first observation), Cape Town's income is considerably lower than Gauteng's, which makes the Cape Town market more competitive in terms of obtaining scarce new business and the amount of money available to train and retain staff.

A brief discussion of each advertising agency that qualified to participate in the study follows. The information is purely based on secondary sources and no additional information that materialised from primary sources, in other words interviews and documents, are included, since it will form part of the findings and discussion of results.

2.3.4.1 Ogilvy Cape Town

A subsidiary of WPP Communications Group, Ogilvy Worldwide is one of the largest marketing communications networks in the world, with 497 offices globally (Ogilvy, 2007a). This international group operates from three independent offices in SA, namely Cape Town, Durban and Johannesburg. Ogilvy Cape Town is the largest advertising group in SA in terms of staff numbers (Koenderman, 2007c:22-23) and the largest advertising agency in Cape Town in terms of both staff numbers and income (Paice, 2006:111). Ogilvy Worldwide fully supports BEE and, as a result, Ogilvy SA was the first of SA's leading agencies to be majority Black owned (Ogilvy, 2007b). In January 2006, Ogilvy SA concluded a deal where the company's Black shareholding increased from 26% to 50.1%. Black staff and management presently hold 35.1% of the total Black

ownership equity; 15% by Mamalu consortium and the remaining 49.9% by Ogilvy Worldwide. Half of the locally owned equity is held by Black women (Ogilvy, 2006). Ogilvy Cape Town's Black representation stood at 44.8% in 2007 (Maggs, 2007c:102). Ogilvy Cape Town is considered to be a training ground for several advertising aspirants and there are few advertising agencies in Cape Town that do not have former Ogilvy employees in their management teams. Ogilvy Cape Town has shown a steady upward trend in terms of income and staff growth over the past 3 years (refer to Table 2.4) and this could partly be the reward of high Black ownership and representation figures that are indicative of an advertising agency that has embraced transformation. Table 2.5 provides a summary of the key facts and figures of Ogilvy Cape Town.

Table 2.5: Key facts and figures of Ogilvy Cape Town

Total staff	246
Ownership	WPP 49.9%, local 50.1%
Income	R100 - R125 million
Value of new business	±R91 million
Biggest clients	BP/Castrol, Old Mutual, BATSA, VWSA, SABMiller, Sun International
MD	Jacques Burger

(Adapted from Koenderman, 2007c:150; Koenderman, 2008f:146; Maggs, 2007b:84 and Ogilvy, 2007b)

2.3.4.2 TJDR Cape Town

TJDR is the largest local, independently owned advertising group in SA and operates from two offices, namely Cape Town and Johannesburg. TJDR is the second largest (in terms of staff numbers) advertising agency in Cape Town (Paice, 2006:111) and is one of the most creative agencies (in terms of the number of awards that they have won) in the industry. Given Mkhari and Simphiwe Mdlalose (MSG Afrika Investment Holdings) own 26% of TJDR (Cape Town and Johannesburg). TJDR Johannesburg increased their Black ownership from 26% to 56% (the highest BEE ownership percentage in the top ten SA advertising agency groups) when Mohale Ralebitso joined them as a shareholder. MSG Rimani presently owns 56% of TJDR Johannesburg and the remaining 44% is held by its founding partners. TJDR Johannesburg is the most Black economic empowered of the top ten advertising agency agencies in SA, but TJDR Cape Town's Black ownership equity remains unchanged at 26% (TJDR, 2006a). TJDR Cape Town's Black representation stood at 37.5% in 2007 (Maggs, 2007c:102). The national advertising agency group and TDJR Cape Town (to a lesser extent), have also shown rapid upward trend in income, but especially in terms of staff growth over the past 3 years (refer to Tables 2.3 and 2.4), as mentioned in prior text. This is as a result of winning some major accounts and could also be, in part, compensation for excellent BEE credentials. Table 2.6 provides a summary of key facts and figures of TJDR Cape Town.

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Table 2.6: Key facts and figures of TJDR Cape Town

Total staff	149
Ownership	100% local independent
Income	R60.1 million
Value of new business	±R10 million
Biggest clients	Sanlam, Hyundai, Woolworths, Auto & General, Virgin Money, Nandos, Musica, Bush Mills
MD	Kevan Aspoas

(Adapted from Koenderman, 2007c:150; Koenderman, 2008f:146; Maggs, 2007b:92 and TJDR, 2007b)

2.3.4.3 Draftfcb Cape Town

Draftfcb SA has the largest advertising agency network with access to 25 agencies in 33 countries and is Africa's largest, as well as SA's oldest advertising group. It operates from three autonomous offices in SA, namely Cape Town, Durban and Johannesburg (FCB, 2007a). Draftfcb was previously known as FCB (Foote, Cone & Belding), but the international advertising agency conglomerate changed its name in September 2007 in an effort to revitalise the advertising agency (Marketingweb, 2007a). It is the third largest (in terms of staff numbers) advertising agency in Cape Town (Paice, 2006:111). Draftfcb SA entered into its first empowerment deal in 2003 and was the advertising industry's first major broad-based empowerment deal. The Black-owned consortium, Bourasque (comprises of Unipalm, Sunrise Investments and Zwino, each of which held 28% of Bourasque's shareholding), purchased 26% of Draftfcb SA from Draftfcb/IPG. The second broad-based empowerment deal saw Draftfcb/IPG reducing its shareholding from 74% to 50.1% in January 2007, increasing staff shares (via a staff trust) to 23.9% and leaving Bourasque's share unchanged. The deal effectively increased the advertising agency's Black ownership equity standings from 26% to 35% (FCB, 2007b). Draftfcb Cape Town's Black representation stood at 42.7% in 2007 (Maggs, 2007c:102) and also demonstrated a sound upward trend in terms of income and staff growth over in past 3 years (refer to Table 2.4). This could, to some extent, be the reward for an advertising agency that has also improved its BEE credentials over the past couple of years. Table 2.7 provides a summary of key facts and figures of Draftfcb Cape Town.

Table 2.7: Key facts and figures of Draftfcb SA Cape Town

Total staff	135
Ownership	50.1% Draftfcb Worldwide, 26.1% Bourasque shareholding, 23.9% staff trust
Income	±R40 - R60 million
Value of new business	±R75 million
Biggest clients	Distell, Santam, Momentum, Elizabeth Arden, Polka, Sterns
MD	Brian Stockdale

(Adapted from FCB, 2007a; Koenderman, 2007c:150; Koenderman, 2008f:146 and Maggs, 2007b:62)

2.3.4.4 BBDO Cape Town

BBDO has 290 offices in 77 countries, employs 17 200 people and is one of the largest global advertising agency networks (BBDO, 2007a). BBDO is the fourth largest (in terms of staff numbers) advertising agency in Cape Town (Paice, 2006:111) and was previously known as Berry Bush BBDO, but has undergone a restructuring over the past couple of years (Maggs, 2006:50). The advertising agency has a significant BEE deal in place, since it is 40% owned by a local BEE company, and the balance of equity is held by BBDO worldwide. BBDO Cape Town is very involved in corporate social investment and has managed to change its previously predominant White staff complement to a respectable Black representation percentage of 39.2% in 2007 (Maggs, 2007c:102). The national advertising agency group and BBDO Cape Town have shown a steady upward trend in income and staff growth over the past 3 years (refer to Tables 2.3 and 2.4). This may be partly as a result of the major transformation process and innovative BEE measures that the BBDO group has implemented. Table 2.8 provides a summary of key facts and figures of BBDO Cape Town.

Table 2.8: Key facts and figures of BBDO Cape Town

Total staff	133
Ownership	BBDO Worldwide 60%, 40% local BEE
Income	±R60 - R80 million
Value of new business	±R155 million
Biggest clients	Checkers, Distell, Ackermans, Capitec Bank, Mars Africa
MD	Eric D'Oliveira

(Adapted from BBDO Cape Town, 2007b; Koenderman, 2007c:150; Koenderman, 2008f:146 and Maggs, 2007b:55)

2.3.4.5 KingJames

KingJames is the second largest local independently owned advertising group in SA and operates from two offices, namely Cape Town and Johannesburg (KingJames, 2007). KingJames has grown to become the fifth biggest (in terms of staff numbers) advertising agency in Cape Town as a result of a 60% increase in income over the past two years (Koenderman, 2005c:122-130). KingJames entered into a BEE ownership deal with Muzi Kuzwayo to the tune of 26% towards the end of 2005, but he was subsequently poached by TBWA Hunt Lascaris in February 2007 (Maggs, 2007d). Muzi Kuzwayo has consequently sold his stake back to KingJames, who is in negotiation with a new potential BEE partner. KingJames sponsors Black talent at the Red & Yellow Advertising School and intends to transform into a truly South African advertising agency (Koenderman, 2005c:122-130). Staff representation in 2006 (the last published figures) was still

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fairly White at 30% (Koenderman, 2006b:52-53). KingJames has also shown a fair growth rate in terms of income and staff numbers, but believe that it would improve significantly if they had better BEE credentials. Table 2.9 provides a summary of key facts and figures of KingJames.

Table 2.9: Key facts and figures of KingJames

Total staff	87
Ownership	100% local independent, majority shareholding co-founders
Income	R36.9 million
Value of new business	±R4 million
Biggest clients	Allan Gray, Ackermans, Parmalat, Indigo Cosmetics, Levis
MD	James Barty

(Adapted from Koenderman, 2007c:150; Koenderman, 2008f:146; KingJames, 2007 and Maggs, 2007b:73)

2.3.4.6 Saatchi Cape Town

The Saatchi worldwide network has 134 offices in 84 countries and employs over 7 000 people (Saatchi, 2007). The Saatchi Africa Network is positioned in 16 countries with the head office located in SA, including offices in both Cape Town and Johannesburg. Saatchi is the sixth largest (in terms of staff numbers) advertising agency in Cape Town (Dicey, 2006a:132). Saatchi has been involved in a huge "lovemark" repositioning process that advocates "loyalty beyond reason" and has relocated their African division to Gauteng, which has consequently decreased staff numbers in Cape Town (refer to Table 2.4) (Koenderman, 2008g:158). Saatchi was a pioneer in recognising the necessity for BEE in SA and has a majority BBBEE ownership, making it one of the most empowered companies within the advertising industry. Its Black ownership stands at 50% (Orlyfunt Holdings 25% and Kopano ke Matia Investment 25%), Saatchi Belgium owns 26% and local management has 24% shareholding (Dicey, 2006a:132). Saatchi Cape Town's Black representation stood at 44% in 2007 (Maggs, 2007c:102). Despite the restructuring, Saatchi Cape Town has shown a healthy growth in terms of income that again could partly be attributed to transformation. Table 2.10 provides a summary of key facts and figures of Saatchi Cape Town.

Table 2.10: Key facts and figures of Saatchi Cape Town

Total staff	81
Ownership	Orlyfunt Holdings 25%, Kopano ke Matia Investment 25%, local management 24% and Saatchi Belgium 26%
Income	±R46 - R51 million
Value of new business	±R30 million
Biggest clients	Engen, Guinness, Brandhouse, BoE, Archers Aqua, Markham
MD	Ian Young

(Adapted from Dicey, 2006a:131-136; Koenderman, 2006c:136-142; Koenderman, 2008f:146 and Koenderman, 2008g:158)

2.3.4.7 JWT Cape Town

A subsidiary of WPP Communications Group, James Walter Thompson (JWT) is a 140 year old network comprising of more than 300 offices in 87 countries, employs over 8 500 staff and is the fourth largest advertising agency global brand. JWT operates from two offices in SA, namely Cape Town and Johannesburg and has had fair growth over the past couple of years to become the seventh largest (in terms of staff numbers) advertising agency in Cape Town (WPP, 2007). JWT was one of the last top ten advertising agency groups to enter into a BEE deal, but has satisfactory BEE credentials since it sold a 30% stake to non-executive director Kenny Setzin in 2004 (Dicey, 2005:124-132). Black staff representation was poor at 31% in 2006 (the last published figures) (Koenderman, 2006b:52-53). JWT has also shown a reasonable growth rate in terms of income and staff numbers, but believe that it would be greater if they had better BEE credentials. Table 2.11 provides a summary of key facts and figures of JWT Cape Town.

Table 2.11: Key facts and figures of JWT Cape Town

Total staff	48
Ownership	WPP 64.2%, local 35.8%
Income	±R20 - R30 million
Value of new business	±R12 million
Biggest clients	Shell, Brandhouse, Johnston & Johnston
MD	Jim Faulds

(Adapted Koenderman, 2007c:150; Koenderman, 2008f:146 and Maggs, 2007b:72)

2.3.4.8 Bester Burke Slingers

Bester Burke Slingers is the third largest local, independently owned advertising group in Cape Town and is presently the eighth biggest (in terms of staff numbers) advertising agency in Cape Town, as a result of a merger between Bester Burke and The Bryan Slingers Partnership (TBSP) that took place on 12 March 2007. Bester Burke Slingers comprises three agencies: Bester Burke, Underground and TBSP that all operate independently (Bester Burke Slingers, 2007). Prior to the merger, Bester Burke reflected poor BEE credentials, but the newly formed entity has Black ownership of 38% (Bester Burke Slingers, 2007). The last published figure for Black representation was 20% in 2006, but this would have also improved significantly since the merger (Koenderman, 2006b:52-53). This Cape Town advertising agency group is set to grow rapidly post-merger because of the newly acquired BEE credentials and has already acquired R45 million in new business. Table 2.12 provides a summary of key facts and figures of Bester Burke Slingers.

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Table 2.12: Key facts and figures of Bester Burke Slingers

Total staff	47
Ownership	100% local independent
Income	R22 million
Value of new business	±R45 million
Biggest clients	Indigo, Ceres, Distell, Sasko, Woolworths, Department of Public Enterprises, Monash
MD	Dave Bester

(Adapted from Koenderman, 2007c:150; Koenderman, 2008f:146 and Maggs, 2007c:56)

2.3.4.9 Lowe Bull Cape Town

Lowe Bull was founded by Matthew Bull (presently the CEO of the Lowe Bull Group) in 1996. Lowe Worldwide has an extensive global network of full-service agencies, including Sub-Saharan Africa and currently has a 33% stake in the Cape Town advertising agency. The Cape Town office has experienced rapid revenue growth over the past 3 years, which is expected to increase with the return of Matthew Bull after being seconded by the overseas group and is the ninth largest (in terms of staff numbers) in Cape Town. The advertising agency group is Africa's number one creative group (Lowe Bull, 2007). Lowe Bull stated that they believe in empowerment and not merely in ownership. Their empowerment endeavours extend to bursary schemes, social projects, skills transfer and training programs. They received a Level 6 Contributor ranking from Empowerdex in 2007 (Lowe Bull, 2007). The Cape Town division's Black ownership currently stands at 26% and their representation was last measured at 38% in 2006 (Koenderman, 2006b:52-53). Staff growth at national and regional levels has been low in terms of staff numbers (refer to Tables 2.3 and 2.4), but the advertising agency group has initiated some innovative BEE measures to promote real transformation, specifically in terms of BBBEE ownership, which is fully discussed in the "Discussion of results" section. Table 2.13 provides a summary of key facts and figures of Lowe Bull Cape Town.

Table 2.13: Key facts and figures of Lowe Bull Cape Town

Total staff	41
Ownership	33% Lowe Worldwide, 41% local shareholders, 20% equity trust, 6% local Black shareholders
Income	±R25 million
Value of new business	±R10 million
Biggest clients	Coca-Cola, Metropolitan, SAB Miller, Sports Division, J & J
MD	Jason Slinger

(Adapted from Koenderman, 2007c:150; Koenderman, 2008f:146 and Maggs, 2007b:75)

2.3.4.10 Young & Rubicam (Y & R) Cape Town

A subsidiary of WPP Communications Group, Y & R is one of the largest advertising agency networks comprising of more than 160 agencies in 81 countries (Y & R, 2006). Y & R SA merged with Gitam SA in 2001 (Y & R Africa, 2005a) and then with its retail agency Y & R Hedley Byrne in 2007 to become the fifth biggest advertising agency group in SA. It has offices in both Johannesburg and Cape Town and is ranked as the tenth largest advertising agency. Y & R Cape Town has satisfactory BEE credentials with Black ownership currently standing at 30% and their Black representation was last measured at 40% in 2006 (Koenderman, 2006b:52-53). Despite all the mergers, Y & R SA has shown reasonable growth in terms of staff numbers, but the Cape Town staff numbers have fluctuated and new business has suffered as a result (refer to Table 2.4). Table 2.14 provides a summary of key facts and figures of Y & R Cape Town.

Table 2.14: Key facts and figures of Y & R Cape Town

Total staff	40
Ownership	WPP 70%, locally empowered (Memeza QRX) 30%
Income	R10 - 20 million
Value of new business	±R1 million
Biggest clients	Pick 'n Pay, Chevron, American Swiss, Phillip Morris
MD	Alan Schreiber

(Adapted from Koenderman, 2007c:150; Koenderman, 2008f:146; Maggs, 2006:74 and Y & R Africa, 2005b)

2.3.4.11 Admakers International

Admakers is the fourth largest local independently owned advertising group in Cape Town and is ranked as the eleventh biggest advertising agency in Cape Town in terms of staff numbers, but is the second largest in terms of income (Koenderman, 2007c:150). Admakers has shown a significant increase in income in recent years, which can be attributed to long-term relationships and winning 11 new accounts in 2006 (Maggs, 2007:b54) and 4 in 2007 (Koenderman, 2008g:156). Admakers firmly believes in corporate social investment and has a social responsibility programme to rehabilitate street people. Admakers provides over two hundred street people with monthly jobs via special programmes. They have established a non-profit organisation entitled "Make a Difference", which enables 40 gifted children from disadvantaged backgrounds to attend private schools (Dicey, 2007:122-126). Admakers' Black ownership presently stands at 25% and their Black representation was 36% in 2007 (Maggs, 2007c:102). Admakers have done things differently, firstly since they have the greatest staff to income ratio (refer to Table 2.4) and, secondly, since they have embarked on some original BEE measures to promote real transformation. Table 2.15 provides a summary of key facts and figures of Admakers International.

Table 2.15: Key facts and figures of Admakers International

Total staff	25
Ownership	100% local
Income	R95.4 million
Value of new business	±R70 million
Biggest clients	Urban Ocean Group, GM, EIDC Seychelles, Kharafi Kuwait, Elan Group Cadillac, SAAB, Hummer, Isuzu, Power Group, Elan, Polo Estate, J-Bay
MD	Duan Coetzee

(Adapted from Admakers, 2007; Koenderman, 2007c:150; Koenderman, 2008f:146 and Maggs, 2007b:54)

2.3.4.12 TBWA Hunt Lascaris

A subsidiary of WPP Communications Group, the TBWA worldwide network comprises of 291 offices in 77 countries and employs over 9 700 people (TBWA, 2007). TBWA SA has undergone a major consolidation over the past couple of years. The name of the holding company was changed from TBWA Hunt Lascaris to TBWA Fusion in 2003. The name change occurred when the thirteenth biggest advertising agency in Cape Town merged with TBWA Tequila (which, in turn, had previously merged with TBWA Digerati) (Magna Carta, 2007 & Penstone, 2005), but again became known as TBWA Hunt Lascaris in 2007 after some rigorous restructuring. TBWA SA's BEE credentials have improved in terms of BBBEE ownership and have also made prominent board member appointments to promote transformation (Dicey, 2006b:145). As a result, TBWA Hunt Lascaris's Black ownership stands at 30% and their Black representation was healthy at 42% in 2008 (Furlonger, 2008a:90), but was somewhat different from the findings of this BEE study. Their staff numbers have decreased significantly over the past three years owing to restructuring; however, they have maintained a healthy income level. This internationally owned advertising agency did not yield much in the way of recent secondary data, since it was the only advertising agency that was omitted from several recent advertising annuals. However, TBWA Hunt Lascaris did feature in the most recent AdFocus 2008 advertising annual, but some information varied from this BEE study's findings. Table 2.16 provides a summary of key facts and figures of TBWA Hunt Lascaris.

Table 2.16: Key facts and figures of TBWA Hunt Lascaris

Total staff	24
Ownership	70% Omnicom, 25% Shanduka, 5% Employee Trust
Income	±R20 - R25 million
Value of new business	±R20 million
Biggest clients	Pfizer, Adidas, Medi-Clinic, Panarotti's, Liqui-Fruit, Johnnie Walker
MD	Nicky Swartz

(Adapted from Furlonger, 2008b:80; Maggs, 2007b:90; Maggs, 2007c and Paice, 2006:111)

A majority of the facts and figures were correct according to the most recent sources of secondary data (advertising annuals and periodicals, marketing/advertising websites and advertising agencies' websites) when verified against the primary research data. However, some of the information supplied by a handful of Cape Town advertising agencies differed significantly, especially in terms of BEE credentials and staff numbers. Possible explanations for these variances were explored, as well as the considerably rich data (including the largely unpublicised benefits and problems) that was supplied by the participating advertising agencies, which are examined in the "Discussion of results" section.

2.4 Important advertising bodies involved in the transformation process

There are numerous South African advertising or affiliated industry bodies that represent various aspects of the industry and interact with each other. The vision, mission, objectives and strategies of these organisations have altered in recent years to reflect their commitment to the transformation of SA's advertising industry.

2.4.1 Association for Communication and Advertising (ACA)

As stated in prior text, the ACA is a professional advertising organisation that represents the combined interests of its member advertising agencies (approximately 80% of total advertising and marketing communication expenditure) in SA. The ACA is irrevocably committed to transforming the industry. Members are expected to adhere to the MAC Transformation Charter and to comply with directives by the ACA to affect the principles and philosophy of the charter (ACA, 2007b). The ACA's transformation journey includes the following chronological stages:

- The first Transformation Charter was signed on 23 February 2000 and the ACA aimed quantitative industry transformation to attain a 40% Black representation by the year 2004 and 26% Black equity ownership by 2009.
- The ACA gave their full assistance to the government during their investigation into accusations of racism in the advertising and marketing industry in 2001 and 2002.
- A vision, which shows the ACA's commitment to transforming the advertising industry, was released on 4 September 2002 (Clayton, 2004).
- The ACA reassessed their targets with the introduction of the BBBEE Bill and, subsequently, the draft BBBEE scorecard on 24 November 2004. The proposed short term targets for 2006 were Black ownership of 30% and Black representation of 45%. Long-term targets for 2012 were set at 45% Black ownership and 60% Black representation (ACA, 2004b).
- A second transformational charter was signed in Johannesburg on 24 November 2005 by representatives and affiliates of the marketing and advertising industry. The draft BBBEE scorecard was replaced by the BBBEE scorecard in the MAC Transformation Charter:
  - BBBEE ownership targets of 30% by 2009 and 45% by 2014;

- o BBBEE management targets of 30% by 2009 and 50% by 2014; and
- o EE target of 30% by 2009 and 60% by 2014 (Marsland, 2005a).

- The BBBEE Codes of Good Practice was gazetted on 9 February 2007 and, as a result, the ACA was required to harmonise the preceding Transformation Charter with provisos contained in the Codes of Good Practice (Cory, 2007). The revised MAC Transformation Charter was signed by: ACA, AMF, ASA, CAFé, South African Institute of Interior Design (SAIID) Professions, GCIS, Media Advertising Publishing Printing and Packaging Sector Education and Training Authority (MAPPP-SETA), Marketing Association of SA (MASA), Public Relations Institute of Southern Africa (PRISA), Research Industry Transformation Action Group (RITAG), SAARF, South African Communication Design Council (SACDC), Radio Today, NAB, Sonovision, Media Development & Diversity Agency (MDDA) and DMASA (SA, 2008a:30-31). This took place at Melrose Arch in Johannesburg on 26 September 2007 (SA, 2008:30) before it was submitted to DTI on 28 September 2007 for approval before being gazetted (Marsland, 2007).

- The MAC Transformation Charter was eventually gazetted on 29 August 2008 under Section 12 of the BBBEE Act (Act No. 53 of 2003). It is based on the principles that are outlined in the generic codes and, therefore, the charter scorecard should be read in conjunction with the BBBEE Codes of Good Practice (SA, 2008a:3). The charter sets industry targets for transformation in areas such as ownership, management control, EE, skills development, preferential procurement, enterprise development and socio-economic development (Jones, 2008). Their targets are fundamentally the same as the preceding charter, as well as similar in terms of weights and structure of the generic scorecard that will be discussed in "Transformation process" section.

For almost a decade, the ACA's endeavours have reflected the advertising industry's desire to transform, although the government has been slow to gazette relevant BEE legislation, which, consequently, resulted in several changes to the scorecards and charters. The ACA's commitment finally paid dividends with the gazetting of the charter, but their journey will continue as the charter was only gazetted under Section 12 (which is not binding on its members), hence logically, the next objective will be to have it gazetted under Section 9. This BEE study has revealed how the ACA's efforts have already significantly transformed the SA and Cape Town advertising industry and will continue to do so in their pursuit of their vision: "an empowered industry that is non-racial and characterised by its inclusive diversity, which plays a major role in crafting a South African culture and in the celebration of human dignity" (Clayton, 2004).

2.4.2   Marketing Association of SA (MASA)

MASA replaced the MFSA that was declared bankrupt in 2005 (Du Plessis, 2006:6-7) and, therefore, took over their role as representing, protecting and promoting the interests of marketers

and marketing in Southern Africa (MFSA, 2002), which was the only new signatory of the gazetted MAC Transformation Charter. Two of MASA's strategic viewpoints are important in terms of transformation:

- Academic accreditation within marketing and the endorsement of tertiary, post graduate and chartered marketer qualifications; and
- Transformation, BEE guidelines and formal viewpoints on guiding constituent members (Anon, 2007).

MASA's predecessor was a major transformation promoter, therefore, it is positive that some of MASA's strategies are aimed at developing marketing students (including Black PDIs) that are frequently employed in advertising agencies, whilst guiding their members in terms of transformation and BEE.

2.4.3   Advertising Standards Authority of SA (ASA)

The ASA is a self-regulated independent controlling body of advertising in SA. It was established and paid for by the marketing communications industry to regulate advertising in the public interest through a system of self-regulation. Its role is to ensure that advertising is honest, legal, truthful and decent. The ASA works closely with government, statutory bodies, consumer organisations and the industry to ensure that the content of advertising meets requirements of the Codes of Advertising Practice (ASA, 2007). The ASA commenced with the transformation process in the early 1990s when a human rights culture started to develop in SA. As a result, the ASA Codes of Good Practice document was redrafted to comply with the South African Constitution. These codes require that human rights are adhered to and deal with other SA sensitivities such as discrimination, gender issues and children's rights (Nkomo & Beukes, 2002). All advertising agencies in SA are required to adhere to the ASA Codes of Good Practice. A more diverse workforce will help reduce the number of offensive advertisements owing to a lack of understanding of Black South African culture and values. The ASA has shown its commitment to transformation by being one of the signatories in the gazetted MAC Transformation Charter.

2.4.4   South African Advertising Research Foundation (SAARF)

Reliable information on the media that carry and disseminate advertising messages is one of the prerequisites for effective advertising. SAARF (2006) conducts research about individuals' media habits, usage of products, purchasing patterns and lifestyle characteristics. Its main products are All Media Product Survey (AMPS), Radio Audience Measurement Survey (RAMS), Television Audience Measurement Survey (TAMS) and Universal Living Standard Measures (LSMs). During parliamentary hearings held in November 2001, SAARF was accused of being racist owing to the fact that race was included in all of their research. After debate by all industry stakeholders in 2002, it was decided that race would be retained in SAARF's main products, as the problem was not found to be in the research, but rather in the attitudes and behaviour of people who used the

products. SAARF implemented a transformation plan to provide equality and fair opportunities for all players in the industry and empowerment and skills development of Black PDIs (SAARF, 2002). They also displayed their unwavering dedication to transformation by signing the MAC Transformation Charter on the 26 September 2007. The marketing and advertising industry use SAARF's segmentation products widely and they, therefore, play a significant role in determination of target markets and the media that is used to target them. It is imperative that these segmentation tools do not result in bias towards certain race groups.

2.4.5   Advertising Media Forum (AMF)

AMF is a non-profit organisation that was established to provide a platform for media strategists, planners and purchasers to promote acceptable standards and practices in the media industry (Wortley, 2002). Key transformation points of AMF's constitution include:

- Encourage and empower those responsible for the planning and purchasing of media and to play an active role in directing the industry. The AMF aims to build relationships with the ACA, Advertising Media Association of South Africa (AMASA) and other industry bodies to encourage them in the transformation process.
- Attract Black PDI talent into the media industry, support educational programmes among members and eliminate discriminatory practices in the media profession, in order to encourage empowerment of Black PDI members (AMF, 2007).

The AMF does promote transformation as can be seen from their endeavours, as well as the fact that they were one of the signatories of the gazetted MAC Transformation Charter.

2.4.6   Other important advertising or affiliated industry bodies

The following advertising or affiliated industry bodies also play an important role in the transformation of the SA advertising industry:

- AMASA is a non-profit organisation that is the pioneer of media education and training in SA. It has created a number of bursaries at advertising schools over past years, which are made available to deserving students (predominantly Black PDI candidates). This was witnessed firsthand when a Black CPUT Marketing graduate received a R30 000 bursary from AMASA in 2008 to study Media Planning at the AAA School of Advertising. Annual media workshops are also organised to allow students to receive training and to network with industry leaders (AMASA, 2006a). The aforementioned CPUT student attended the annual workshop in 2006 and received the bursary as a result of the contacts that were made at this workshop. It can, therefore, be seen that AMASA's primary focus is on educating people, especially Black PDIs, with an interest in the media, marketing and advertising industries (AMASA, 2006b).
- PRISA, the professional body, which represents the interests of PR practitioners throughout Southern Africa, is committed to the professionalism of practitioners and the

development of the profession (PRISA, 2005a). PRISA's board revised the organisation's vision, mission and values statements to include transformation as part of their strategic plan (PRISA, 2005b).

- Out of Home Media SA (OHMSA) is a controlling body, which comprises all outdoor advertising practitioners in SA and was launched in June 2002 after the failure of the Outdoor Advertising Association of SA (OAASA). Their members currently represent over 85% of the advertising spend in out of home media in SA and have received formal acknowledgment from all advertising and marketing industry bodies such as AMF, SAARF, AMASA and ASA, as well as the SA government (Holley, 2007).

- DMASA is an independent body that was established to promote and develop the highest standards of direct marketing in SA by companies that operate within the direct marketing industry (DMASA, 2008).

- NAB is a body, which represents SA's broadcasting industry and supports more than 8 300 free local radio and television stations. It works together with advertisers and advertising agencies to optimise SA's cultural and communications industries as means to benefit everyone. They promote a broadcasting industry, which is grounded in the principles of democracy, diversity and freedom of expression (NAB, 2007).

PRISA, DMASA and NAB displayed their devotion to the transformation process by signing the MAC Transformation Charter on the 26 September 2007.

Governing advertising and affiliated industry organisations of SA have been striving to make a difference in their respective disciplines after the parliamentary hearings by implementing transformation measures themselves and for their respective members (mainly advertising agencies). A number of successes have been achieved, however, there have also been setbacks, since a couple of these organisations have either gone bankrupt or dissolved, nevertheless there is a driving desire to transform SA's advertising industry, as this BEE study reveals.

2.5   Other important parties involved in the transformation process

Several organisations were established, either as a direct result of an investigation into racism in the advertising and marketing industry, or as a result of a need to measure progress that companies have made in terms of transformation. These bodies represent various aspects of the transformation process across industries in SA and include BEE specialists (for example, BEE rating agencies), BEE researchers, MAC Transformation Charter signatories and organisations that have a vested interest in transformation.

2.5.1   Communication and Advertising Forum for Empowerment (CAFé)

After the first parliamentary hearings that investigated racism within the advertising and marketing industry in November 2001, it was decided to form a plenary task team to further investigate and address concerns that were raised. The plenary task team became known as CAFé and its vision is:

"To ceaselessly strive for the creation of an industry that reflects the demographic profile of the country in all aspects by encouraging participation and involvement of Blacks in all relevant industry bodies and institutions with a view of transforming these and imbuing them with a truly South African character. Furthermore, to work for the creation of an environment conducive to the birth of a truly South African communication and advertising industry with a uniquely South African flavour, an africancentric creative aesthetic shall come into being" (Ralebitso, 2002a).

CAFé's mission is as follows:

- To organise, facilitate and engage in activities intended to develop and promulgate transformation and empowerment in the industry.
- To affect activities that include social and professional aspects and to establish a code of conduct that will allow a swift and effective transformation of the industry.
- To ensure EE is applied, executed and implemented in the industry (Ralebitso, 2002a).

Key objectives of CAFé incorporate the following:

- To promote significant representation and Black empowerment in the industry.
- To encourage transformation of the industry into one displaying SA demographics.
- To obtain funds for Black creative development.
- To push for the positions, place, space and power of Black individuals in the industry (Ralebitso, 2002a).

Key findings of the report written by CAFé (for the November 2002 hearings) indicated that the industry's image was poor owing to the fact that only a minority of South Africans were aware of opportunities within the advertising industry. CAFé recommended that the industry should:

- Make people from disadvantaged communities aware of employment opportunities by utilising role models from designated groups.
- Develop skills by initiating learnerships to encourage PDIs' participation.
- Education institutions should remove financial obstacles by means of scholarships, which would enable PDIs access to training.
- Develop informal networks among credible Black participants to speed up empowerment and have a positive impact on the industry's image.
- Transform existing industry bodies in order to create an environment to drive the industry agenda and resource allocation in the process of transformation.
- Ensure that margins are protected to provide the industry with the ability to transform profitably (Ralebitso, 2002b).

Despite CAFé's bold vision, mission, objectives and report in terms of what should be done to transform the industry, they have not done much since they were established other than sign the MAC Transformation Charter and align themselves with small projects. That is until March 2008 when they eventually began to realise their potential when Imagination Labs (Labs) were

established as a joint initiative between themselves, TDJR and Vega The Brand Communications School. The Labs are creative centres that provide sound education and relevant skills concerning the industry, which train Black creative talent for placement within the advertising, design and communication industries. There are plans to expand the existing five Labs (four in Gauteng and one in KwaZulu-Natal), by opening a couple of them in each province (Vega The Brand Communications School, 2008). It took CAFé over six years, but this is a real transformation endeavour that will make a difference to the lives of many people and will also make a small, but essential difference in terms of severe skills shortages within the advertising industry.

2.5.2 Media Advertising Publishing Printing and Packaging Sector Education and Training Authority (MAPPP-SETA)

The MAPPP-SETA is a non-profit organisation, which is responsible for education and training in the media, advertising, publishing, printing and packaging sectors and was founded on the Skills Development Act and the Skills Development Levies Act. Employers must contribute a levy, as specified in the Skills Development Levies Act in order to register with the SETA that aims to improve skills in these sectors by providing quality education and training interventions for employees and employers alike (MAPPP-SETA, 2007a). The SETA also provides various funding opportunities in the form of discretionary grants, internships, bursaries and learnerships, however, it faced bankruptcy during the 2007 financial period and was placed under administration to stabilise operations from October 2007 to April 2008. The SETA is proceeding towards financial stability again, mainly as a result of staff rationalisation, restructuring and appointment of a new CEO, Mr Bheki Zulu, in June 2008 (MAPPP-SETA, 2008). This near disaster was averted, but has caused a lack of confidence in the SETA's ability to meet its financial obligations and does not bode well for skills development in the advertising industry.

2.5.3 Research Industry Transformation Action Group (RITAG)

RITAG was founded by two Black-owned market research companies, namely Mictert Marketing Research and Plus 94 Harris in October 2004 (RITAG, 2004a). RITAG is an action group that campaigns for transformation of the market research industry and the realisation of the goals of the BBBEE Act. There was little evidence of transformation in the market research sector, hence RITAG's main criterion for membership is complete dedication to transformation of this sector (RITAG, 2004b). RITAG was also one of the signatories of the gazetted MAC Transformation Charter. It is essential that industries that are affiliated to advertising also embark on transformation, since it will firstly have a direct impact in terms of the quality of service that they receive (for example, Black advertising employees have a better understanding of the Black market, as would Black researchers when researching this market). Secondly, good BEE credentials of service suppliers will have a positive impact on advertising agencies' BEE scores in terms of preferential procurement.

2.5.4 Empowerdex

Empowerdex is one of SA's largest BEE rating agencies and aims to support the public and private sectors by speeding up the BEE process, as well as being involved in the planning of BBBEE legislation, regulations and Transformation Charters (Empowerdex, 2007a). DTI consulted Empowerdex in development of the Codes of Good Practice for BBBEE and has also assisted different sectors in development of BBBEE scorecards for charters; development and alignment of Transformation Charters with the BBBEE Codes of Good Practice guidelines; audits to measure BEE compliance; improvement of BEE policies and strategies; and assess, verify and validate BEE credentials of several large SA companies (Empowerdex, 2008a). The researcher was able to freely contact any SA Empowerdex office with questions or information requests and always received courteous and professional service. It was, therefore, no surprise that the findings would reveal that a majority of advertising agencies in this study utilised their services to verify their BEE credentials and to acquire BEE contribution certificates.

2.5.5 Association of BEE Verification Agencies (ABVA)

ABVA is an independent organisation that was established to lead the BEE verification industry and to work with the South African National Accreditation System (SANAS) to determine BBBEE verification agency accreditation requirements. It aims to facilitate the accreditation process of BEE verification agencies, as set out in the BBBEE Codes of Good Practice, as well as direct development of the industry by establishing ethical behaviour standards, standardising ratings methodology and achieving excellence in the profession. A key objective of ABVA is to represent the BEE verification sector in its dealings with SANAS, DTI and other stakeholders (ABVA, 2008b). It is important to note that ABVA membership does not automatically qualify a company to become an accredited BEE verification agency and, furthermore, there are no accredited BEE verification agencies as yet (ABVA, 2008c).

All ABVA members have applied to SANAS for accreditation and these are verification agencies, which ABVA recommends companies should utilise when seeking BEE verification, that is, until SANAS eventually begins to accredit verification agencies. The BBBEE verification manual was gazetted on 18 July 2008 for the purposes of accreditation and verification of BBBEE reporting by BEE verification agencies. ABVA worked with DTI and SANAS to ensure consistency and credibility of the BBBEE verification methodology in the manual, which will facilitate norms, ethical conduct, consistency and transparency in the verification process (ABVA, 2008d). SANAS postponed the accreditation of BEE verification agencies process on 28 July 2008 without reason and the delay has adversely influenced BEE verification agencies' business (Stewart, 2008a:4).

Government has encouraged companies to become BEE verified for years, yet they have not yet accredited a single BEE verification agency; this is in spite of ABVA's best efforts to assist and speed up the accreditation process and end the abovementioned delay. It would seem logical to first develop the standard framework, train BEE verification agencies and then commence with BEE verification. As a result, the findings of this BEE study shows that there is considerable confusion in the advertising industry surrounding the accreditation of BEE verification agencies, which has certainly hindered the pace at which transformation has progressed.

2.6   SA Government's involvement in transforming the advertising industry

The SA government spearheaded two parliamentary hearings and plenary task team meetings that investigated allegations into racism, coordinated stakeholders' obligations, addressed problems, sought solutions and monitored progress of the transformation of the advertising and marketing industry. Three government departments, namely the GCIS, DoC and DTI have managed these transformation endeavours. The DoL also plays a significant role in the transformation of SA's workforce.

2.6.1   Government Communication Information System (GCIS)

The GCIS is primarily responsible for communication between the SA government and SA's citizens. It is involved in drafting communication strategies and programmes for the SA government at a national level and amalgamating communication operations of all government departments (SA. GCIS, 2001a). GCIS addressed several major concerns in the 2001 parliamentary hearings, namely (SA. GCIS, 2001b):

- Transformation within the industry;
- Advertising expenditure in the private media sector;
- Patterns of government advertising expenditure by government; and
- Segmentation tools.

The GCIS's proposals at the conclusion of the first parliamentary hearing included an industry indaba, strengthening of regulatory bodies and self-regulation by agencies to ensure diversity in society. The GCIS and DoC were commissioned to continue the transformation process at the end of the first parliamentary hearings. It was decided that task groups would be formed to address transformation challenges within the industry and would investigate and make recommendations on the following: content related-matters; Black representation, ownership and media issues, research and advertising spend, as well as development of a broad vision to sketch the overall transformation process of the industry (SA. GCIS, 2002). The GCIS has been relatively quiet since the parliamentary hearings in terms of taking the transformation process forward, other than being a witness to the signing of the Advertising and Marketing Value Statement on 23 April 2003, attending the transformation of Advertising and Marketing Industry Progress Report on 19 October 2004 and signing the MAC Transformation Charter on the 26 September 2007.

2.6.2 Department of Communications (DoC)

The DoC is the public service division of the Communications Ministry and is the policy making body for post, telecommunications and broadcasting services in SA. It administers organisations such as the South African Broadcasting Corporation (SABC), the Independent Communication Authority of SA (ICASA), Sentech, the South African Post Office (SAPO) and Telkom (SA. DoC, 2004). The DoC addressed a range of issues from policy focus, to problems of ownership and control from all genders, racial and cultural backgrounds within the broadcasting industry (PMG, 2001a). The DoC commissioned a survey to measure representation and ownership in the industry for the second parliamentary hearings in November 2002. The findings of the survey yielded the following results (Mjwara, 2002):

- Demographics: indicated an under-representation of Black employees and overrepresentation of White employees in the industry. The numbers also display high representation in favour of White females.
- Training and recruitment: there was no or little evidence concerning recruitment representation corrective measures, while training Black employees was not adequate.

It was concluded that although there was some progress made in terms of transformation, it was too slow. It is encouraging that these concerns are being addressed and are high on the agenda of most advertising agencies, although the targets, in terms of acceptable Black representation, are only now heading towards more acceptable levels.

2.6.3 Department of Trade and Industry (DTI)

The DTI's vision is to build a vibrant economy, which is characterised by growth, employment and equity and to build on the full potential of all SA citizens. The DTI is involved in the following fields: investing, starting and growing a business, exporting, big businesses, BEE, protecting consumers and providing detailed information about the SA economy (SA. DTI, 2007a). It is responsible for the BBBEE Codes of Good Practice, which entails development, evaluation and monitoring of BEE charters, initiatives and transactions (SA. DTI, 2007b).

The DTI is the central driving force behind BEE and, therefore, instigation and implementation of legislation, BEE processes and, ultimately, transformation of all industries in SA revolve around the competence of this single government department. Therefore, the slow establishment of BEE legislation and approval of industry charters, as well as unfounded accusations levelled at independent organisations, which attempt to speed up the process and generally slow pace of transformation in SA, rests squarely on the shoulders of the DTI. Examples from recent secondary sources of data illustrate the generally poor performance of the DTI in this respect.

- It has taken the DTI four years (since they tasked SANAS to develop a standard evaluation and measurement mechanism for BEE verification agencies) to gazette the BEE verification manual (on 18 July 2008), which provides BEE verification agencies with a much needed standardised platform from which to operate (Sapa, 2006). The findings of this BEE research study reveals that almost every BEE contribution certificate has used a different format and this could have been averted if the BEE verification manual had been completed in good time.

- The DTI took nearly a full year to gazette the MAC Industry Charter (on 29 August 2008), which was merely a thirty page document and similar to the generic BBBEE scorecard (Jones, 2008).

- On 5 September 2008, the DTI accused ABVA of giving the false impression that they were attempting to provide training on the BEE verification manual under the auspices of the DTI (that they would provide training in the "near future"). It was also alleged that ABVA had not consulted or obtained authorisation to use the DTI's name. On 12 September 2008, ABVA responded by stating that they had submitted a proposal to the DTI requesting funding for the training and that they were yet to receive a response after numerous phone calls and e-mails (ABVA, 2008d). This typifies the frustration that numerous industry controlling bodies and companies endure when dealing with departments such as the DTI, especially when attempting to speed up the BEE process by fast tracking the pace of this government department.

Even the online BBBEE portal and registry that the DTI initiated in 2008 are problematic, since a company's BEE contribution certificates or credentials cannot be viewed by the public (such as DoL's EE plans that are available on request). A listed company should specifically direct and give their reference number to interested parties in order to view their BEE credentials (SA. DTI, 2008). The company may as well give their BEE credentials directly to interested parties and save themselves the cost and effort (especially in terms of dealing with the DTI) of being listed. The names of listed companies cannot even be seen on the BBBEE registry. Is this not the whole point behind a registry - for interested parties to freely view a company's good BEE credentials and consequently do business with them, thereby advancing BEE? The findings of this BEE study correspond with the abovementioned literature and also reveals how the DTI has hindered the transformation process owing to sluggish decision-making and general ineffectiveness.

2.6.4 Department of Labour (DoL)

The DoL publishes legislation that regulates labour practices and activities in SA and plays a significant role in reducing unemployment, poverty and inequality via their policies and programmes that are aimed at enhancing economic efficiency and productivity; skills development and employment creation; sound labour relations; eliminating inequality and discrimination in the

workplace; and alleviating poverty in employment. In terms of this BEE study, key programmes that fall under the ambit of the DoL include (SA. DoL, 2007a):

- Basic conditions of employment apply to all employers and workers and regulate leave, working hours, employment contracts, deductions, pay slips and termination.
- The EE Act aims to promote and achieve equity in the workplace by encouraging equal opportunities amongst all workers.
- Skills development aims to promote development of skills amongst the workforce.

The advertising industry should comply with regulations of the DoL's EE Act, which is aimed at promoting equal opportunities and fair treatment in employment. This is achieved by the removal of unfair discrimination and by applying AA measures to address disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels within the workplace (SA. DoL, 2007b). However, some top advertising agencies have not complied and the government appears to be doing nothing about non-compliance of the EE Act. This is likely owing to the same reasons discussed in the previous section, in other words, primarily as a result of the ineffectiveness of the DoL that is illustrated in the findings of this BEE study.

2.6.5 Government report

The government (GCIS, DoC and DTI) compiled a report at the conclusion of the second parliamentary hearings on the process towards transformation of the advertising and marketing industry entitled, "The Way Forward". The report highlighted a need for the following (SA. GCIS, 2002a):

- Developing a framework for transformation that would include a definition of the desired outcomes, setting of targets, timeframes, mechanisms and processes.
- Maintaining the momentum by sustained research and monitoring trends in the industry, in order to achieve faster progress towards the targets.
- Ongoing research and monitoring of more equitable expenditure on advertising, marketing and communication as means to address imbalances.
- Assessing what impedes and promotes EE in order to speed up empowerment at all levels.
- Education must take measures to train more people to enter the industry in order to promote representation at all levels.

This BEE study provides value information in varying degrees on all of the abovementioned needs, since it reveals challenges and how these are addressed, as well as benefits of embarking upon transformation.

2.6.6 South African National Accreditation System (SANAS)

SANAS is a solitary national accreditation body that provides formal recognition to a range of accreditation certification bodies (SANAS, 2008a). It is located on the DTI's premises and its

Board of Directors is appointed by the DTI (SANAS, 2008b). SANAS was commissioned in 2004 by the DTI to develop standardised rating criteria for BEE verification agencies. The process took them four years (eventually gazetted on 18 July 2008 by the DTI), which has resulted in and lead to a fair amount of confusion pertaining to the accreditation process for BEE verification agencies. Several verification agencies have completed the pre-assessment stage and have submitted relevant documentation to SANAS in 2007, but there are still no accredited BEE verification agencies and no indication has been given as to when the first ones will be accredited (ABVA, 2008d). Several advertising agencies and other companies have been waiting for verification agencies to be accredited before commencing with verification process, thereby delaying the BEE process. Once again, these delays again reiterate inefficiency and detrimental effects that government departments have on the transformation process.

2.7   Summary

The SA advertising industry was previously dominated by a single race group, but much has changed since the first parliamentary hearings in 2001. This has been in spite of the slow promulgation of legislation, the MAC Transformation Charter, as well as confusion surrounding BEE verification agencies and accusations levelled at the advertising industry for slow transformation progress. A majority of SA advertising agencies have cooperated with advertising bodies, government departments and other organisations to fast track the BEE process, thereby displaying a strong impetus for transformation. The vision, mission and objectives of these organisations and even advertising agencies have changed to portray this commitment. The following chapter traces the transformation process in SA.

CHAPTER THREE
TRANSFORMATION PROCESS

3.1 Introduction

The transformation process in SA has been long and complicated and it is predicted that it will be this way for another decade. The government has progressed slowly but steadily via promulgation of legislation, whereas the advertising industry's progress has been slightly more rapid in striving to attain goals, which are prescribed by the legislation. This chapter provides a comprehensive outline of the advertising industry's transformation process; it also examines relevant legislation and investigates challenges and benefits of BEE.

3.2 Overview of the transformation process in SA

BEE has become synonymous with transformation in SA; however, transformation does not commence and conclude with BEE, rather, it starts with a change of perceptions and attitudes (Xate, 2006:14). BEE has become a regular feature since SA became a democracy, when a token few conglomerates sold controlling stakes to Black empowerment consortiums (Coulsen, 2004:19-20). Companies in SA were also required to drastically increase the number of PDIs in their employ when the EE Act was passed into law in 1998. Renewed impetus has been placed on empowerment since promulgation of the BBBEE Act in 2003.

In the early 1990s a programme was formulated to rebuild and develop SA. It was known that the journey of complete transformation would touch affect every aspect of life in SA, but the route that would be followed and how long it would take, was not known. What was known was that real and lasting transformation of all sectors of the economy would require both collective and creative action by various structures, formations and individuals (Marsland, 2005a).

As mentioned in prior text, the ACA also showed their unwavering commitment to transformation when ACA member agencies signed the first ACA Transformation Charter in February 2000. They imposed quantitative targets of 40% Black representation by the year 2004 and 26% Black equity ownership by 2009 (Clayton, 2004).

The discussion about racism in the advertising industry was initially started by two advertising specialists and editors, Chris Moerdyk and John Farquhar, which ultimately resulted in the first parliamentary hearings that will be fully discussed in a subsequent section (Marsland, 2005b). There has been a proliferation of articles, which refer to empowerment deals and transformation of the advertising industry since the first parliamentary hearings. Severe criticism was directed at the South African advertising industry for its slow pace of transformation since the first democratic

election. Accusations levelled by critics - government officials, advertising periodical writers, advertising industry members and stakeholders - demonstrate the uphill battle that the advertising industry faced during the transformation process. There have been several debates about racism and a tremendous amount of criticism has been directed at the advertising industry's transformation process pace over the last ten years of democracy, but change has taken place and much has been achieved in SA (Clayton, 2004).

The advertising industry was publicly investigated for the first time in October 2001 with regard to racism allegations. The rate of transformation was found to be unsatisfactorily slow and the Portfolio Committee on Communication decided that government, together with all stakeholders, should consult to find a common resolution for transformation of the industry. The main reason why it was imperative to transform the MAC sector was because the mere 5 000 people employed in this sector, have a huge influence on trends and societal norms (Marsland, 2005c).

The second parliamentary enquiry took place in November 2002 and its purpose was to address industry problems at various levels and for various stakeholders in the industry to report on progress made in the industry (PMG, 2002a). A milestone in the marketing and communication industry was achieved when the ACA released its draft BBBEE Scorecard on 24 November 2004 (Marsland, 2005d).

The second MAC Transformation Charter was signed on 24 November 2005 by 12 marketing, advertising and communication bodies, as well as the GCIS. The charter aims to speed up transformation in the industry in line with the BBBEE Act and Strategy (Marsland, 2005a). FCB's Nkwenkwe Nkomo summed up the sentiment of the marketing communication industry towards the transformation process in SA aptly by stating the following:
"We are mindful of the impact our industry has on millions of our people across all walks of South African life, therefore, we accept the responsibility consequent thereto. For such a small industry, its power to influence South Africans is disproportionate to its size; hence the need to make it a truly South African industry is imperative" (Marsland, 2005a).

The BBBEE Codes of Good Practice was gazetted on 9 February 2007 after a two-year process to finalise them. The Codes of Good Practice have been written simply to ensure that they are easy to understand so that companies will have a clear picture of what should to be done to obtain their desired level of BEE.

The revised MAC Transformation Charter was submitted to government on 28 September 2007 and was gazetted on 29 August 2008 (Jones, 2008). The above summary of transformational milestones shows that transformation has taken place, but now that vital legislation is in place, it is time to establish BEE's real success.

3.3   Parliamentary public hearings

As stated in Chapter One and Two, parliamentary hearings were held in 2001 and 2002 to investigate racism and problems in the advertising and marketing industry and to report on progress made in the industry. A brief summary of each submission by government departments, advertising, media and marketing associations and other key parties for both of the parliamentary hearings provide an overview of what transpired at these fundamental events and the subsequent impact that they have had on transformation of the advertising industry.

3.3.1   Racism in the advertising and marketing industry - first parliamentary public hearings

The first parliamentary hearing's primary purpose was to provide an opportunity for all stakeholders to raise their concerns and to address pivotal questions in terms of racism and transformation issues (PMG, 2001a).

The following presentations were heard on the first day of the first parliamentary hearings on 6 November 2001:

- The DoC focussed on gender policy, advertisers' role in broadcasting and advertising practices. The hearings allowed them to assess competition in the industry (Phakanile, 2001).
- The GCIS (PMG, 2001a) assessed issues such as transformation, segmentation tools and advertising expenditure in government and private sectors.
- Moerdyk (2001) believed that the media research tools were racist and that White media buyers were forced to be racist by using these questionable tools. There was a general lack of drive by the advertising industry to accelerate development of Black individuals.
- The ASA (Beukes, 2001) noted that the ASA's Codes of Advertising Practice dealt with cultural offences and related complaints were handled on a daily basis.
- The AAA discussed a lack of and steps to increase Black representation and the need for education of Black and disabled students in advertising (PMG, 2001a).
- YFM declared that it had experienced negative advertising spend, even though their audience had doubled in three years. They observed that most media planners/buyers were White, hence not familiar with targeting Black audiences (YFM, 2001).
- NAB discussed a lack of transformation within the marketing and advertising industry by referring to the racist placement of business by White decision-makers (PMG, 2001a).
- AOM reported on advertising courses at educational institutions and the predominant use of English in newspapers and radio stations (PMG, 2001a).
- MDC confirmed YFM's complaint by focussing on the need for Black media planners and buyers, as well as the fact that several Black media owners were not receiving an equitable share of advertising expenditure (MDC, 2001).

The second day of the hearings resulted in the following presentations on 7 November 2001:

- The FEI felt that there was a variance between the treatment of Black and White community forums, as well as racism in advertising practice. Possible solutions include promulgation of BEE legislation and stricter regulations by advertising controlling bodies (PMG, 2001b).

- The FCST (PMG, 2001b) classified racism into three categories:
    - o Systemic racism – racial composition of advertising agencies;
    - o Target racism – the target market by media placement; and
    - o Content racism – transformation of advertising content.

- The SABC recommended that a watchdog body should be established to draft a Transformation Charter and strategies to reduce the use of race in segmentation tools (PMG, 2001b).

- Johnnic Publishing stated that media could aid transformation via growth of print media diversity in SA (PMG, 2001b).

- Kekana (PMG, 2001b) concluded the first parliamentary hearings by assuring all advertising, media and marketing organisations that their input would be used to identify ways to advance transformation within the advertising industry and that a task group should be established to address raised concerns.

3.3.2 Transformation of the advertising and marketing industry - second parliamentary public hearings

The second parliamentary enquiry took place on 12 - 13 November 2002 and was referred to in a more positive light as "the transformation of the advertising and marketing industry hearings." The hearings followed a sequence of plenary meetings that were held since the first hearings, in which industry representatives had deliberated on the following issues: vision; regulatory debate; representation; ownership of the industry; and advertising spend (PMG, 2002b).

The following presentations were heard on 12 November 2002:

- Omar (2002), facilitator of the plenary sessions, explained that these hearings were not to expose racists, but rather to explain what is happening in the industry and what is being done to transform it.

- The ASA disclosed that it had conducted a strategic review in 1999 to make certain that the ASA was structured to fulfil its role within a new SA society (Nkomo & Beukes, 2002).

- CAFCOM reported that it focussed on business practices and consumers; hence it had the power to deal with entities, which the ASA was unable to restrain (Lotheringen, 2002).

- The GCIS, DoC and DTI stated that transformation of marketing and advertising industry was inevitable in a changing country and that it was the responsibility of government to ensure that legislative bodies were adequate to meet challenges of the country's and industry's transformation (SA. GCIS, DoC & DTI, 2002).

- The MFSA noted that the SA advertising industry was of world class, but was out of touch with the biggest consumer group, namely Black South Africans, since there were few Black creatives to reflect the insights of these consumers (Ikalafeng & Warsop: 2002).
- SAARF noted that advertising agencies were at the end of the communication value chain and, therefore, it was all players' responsibility to embrace transformation (Wortley & Tshwaedi, 2002).
- Wortley and Bolton (2002) representing the AMF, highlighted that there was race discrimination in SA media spending patterns, with greater advertising spend used on audiences that yielded a larger return on investment (higher LSM groups that were mainly White).
- The DoC commissioned Prodigy Business Services to conduct a survey to measure representation and ownership in the advertising industry in 2001. A representative from Prodigy Business Services, Mr Ganpath, provided the survey highlights:
  - All MAC companies had AA polices in place;
  - A majority of companies had accepted the ACA PDI target of 40%;
  - Black senior management comprised 16% and there was a disproportionably high White female representation;
  - Lower levels of management had begun to balance in terms of racial composition, but little training was made available to senior or middle Black management; and
  - There was little or no trend towards bringing numbers to acceptable representation levels in terms of recruitment and promotion (Ganpath, 2002).
- The Deputy Director of the DoC (Mjwara, 2002) declared that the causes of slow transformation progress should be found, particularly at senior management levels, so that plans to address imbalances within the advertising industry, can be initiated.

The second day of the hearings on 13 November 2003 yielded the following presentations:
- The plenary task team leader of advertising transformation issues in education (Sutherland, 2002) highlighted that PDIs who wished to study for a career in the advertising industry:
  - Lacked financial support by way of scholarships and bursaries;
  - Had no assurance of employment upon completion of studies;
  - Faced low pass rate of subjects; and
  - Had limited access to art at school education level.
- The chair of the plenary task team that investigated the industry image (Ralebitso, 2002b), reported that the industry had a poor image and recommended the following:
  - Communication awareness drives;
  - Make learnerships available to scholars for further training; and
  - Speed up the empowerment process to increase Black PDIs within the industry.
- The MFSA focussed on its pledge to transform the industry by encouraging their members to address issues relating to Black ownership, EE, procurement, education/training and promotion of a Transformation Charter (Ivins, 2002).

- The AMF remarked on the fact that there were not many Blacks in the industry and that it desired to serve as a role model to aspiring Black individuals (PMG. 2002a).
- The ACA provided an overview of its transformation journey, Transformation Charter intent statement and its commitment to the transformation process (Makwana, 2002).
- The SABC maintained that the transformation process within the industry had been too slow and that Black media received a discriminatory low amount of advertising spend (Rensburgh, 2002).
- PMSA declared that it was committed to both internal transformation and to the transformation of the advertising, media and marketing industries (Strickland, 2002).
- SAARF noted that the racism allegations in the first parliamentary hearings had led to a comprehensive investigation into new ways of compiling research (Haupt, 2002).
- CAFé believed that AA, BEE and procurement were not properly understood by the industry. Black people had not participated in the industry previously, since they had no skills and there was much work to be done in terms of legislation (Ralebitso, 2002a).
- The coordinator of the Communications Portfolio Committee presented the draft value statement that proclaimed that MAC should: "recognise that the industry plays a critical role in the creation of wealth and the development of our economy. Believe that transformation of the industry is essential for its long-term growth and the upliftment of people who have been historically disadvantaged" (McDonald, 2002).
- The GCIS, DoC and DTI (SA. GCIS, DOC & DTI. 2002) highlighted a number of important issues from a document entitled, "The way forward":
  - Realise the need for transformation;
  - Research and monitor advertising and marketing communication spend;
  - A need for a comprehensive regulatory framework; and
  - Assess what constrains and promotes EE and affirmative procurement.
- The deputy CEO of GCIS concluded the hearings by stating that the transformation progress had a long way to go, but that the hearings represented an important landmark to lead the way forward (Trew, 2002).

The ceremonial signing of the "values statement" of MAC took place in Johannesburg on the 23 April 2003. The CEO of GCIS stated: "The journey has begun, there is no going back. All of us are here because we are of the firm conviction that the advertising and marketing industry can and will be able to change SA for the better" (Netshitenzhe, 2003). The statement committed MAC to adopt the following values: inclusivity and diversity; to be the soul of the nation; to have respect and human dignity; to take into consideration business and peoples' needs and to undertake responsible creativity (ACA, 2003).

Considerable progress has been made as a direct result of the parliamentary hearings, as the rest of this chapter shows. A number deal of the abovementioned concerns have either been fully or partially addressed and are subsequently discussed in the findings of this BEE study.

3.4   Legislation

Two government Acts have served as direction means to the transformation process in SA since the first democratic elections in 1994. These are the EE Act No. 55 of 1998 and the BBBEE Act No. 53 of 2003, coupled with the BBBEE Codes of Good Practice, which was gazetted on 9 February 2007.

3.4.1   Employment Equity (EE) Act

SA has a history of discriminating against certain race groups, gender groups and people who have disabilities. The aforementioned groups were not granted equal opportunities of employment, education and basic wealth creation (SA. DoL, 2004a). Furthermore, it is argued that if a company's staff complement replicates the market's demographics, it will be better able to meet the market's needs, hence against this background; the EE Act was gazetted on 11 November 1999.

3.4.1.1 EE Act's objectives

The EE Act has two primary objectives:
- To eliminate unfair discrimination in the workplace by advocating equal opportunity and fair treatment in employment.
- To implement AA measures so as to create EE by addressing disadvantages in employment experienced by designated groups in all occupational categories and levels.

All employers are required to accomplish the first objective, in other words, to ensure that the workplace is free of discrimination. Section 6 (1) of the EE Act (Act No. 55 of 1998) states: "no person may unfairly discriminate, directly or indirectly, against an employee in any employment policy or practice, on one or more grounds including race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language and birth."

Only designated employers are legally required to take active steps to promote EE, in other words, to implement AA measures. As mentioned in prior text, designated employers include:
- All employers that employ 50 or more employees.
- All employers that employ fewer than 50 employees, but have a total annual turnover that is equal to or greater than the applicable turnover of a small business in terms of Schedule 4 of the EE Act (Act No. 55 of 1998). The annual turnover is R10 million for the TSC sector. It is important to note that a designated group or PDIs include Black people, women and people who have disabilities.

All the advertising agencies that participated in the study are classified as designated employers.

3.4.1.2 Affirmative action (AA) policies

AA policies ensure that aptly qualified employees from designated groups (PDIs) have the same employment opportunities and are equally represented in all occupational categories and levels. According to Section 15 (2) & (3) of the EE Act (Act No. 55 of 1998), AA measures include:

- Identification and elimination of barriers with an undesirable impact on designated groups.

- Measures, which promote diversity.

- Making fair accommodation for people from designated groups.

- Retention, development and training of designated groups (including skills development).

- Preferential treatment and numerical goals to ensure equal representation.

It is important to note that designated employers are not required to make any decision regarding an employment policy or practice that would establish a barrier to prospective or continued employment or advancement of people that are not from designated groups. AA policies should be correctly devised and form the essence of the EE audit, EE plan and future plans of an employer. The employer should undertake an investigation of its employment, practices, policies, procedures, as well as its general working conditions in order to gather information. The investigation should also contain a profile of each occupational level and category, in order to establish whether there is insufficient representation of PDIs within these occupational levels and categories. The AA measures should be completed in consultation with employees (ACA, 2006). All the Cape Peninsula advertising agencies that participated in this BEE study are classified as designated employers and are consequently required to implement the AA measures discussed in prior text.

Several authors have debated the pros and cons of adopted AA policies:

- McWhirter (1996) reported that AA was essential to compensate certain racial groups and to eliminate gender discrimination, as well as establish broader diversity in organisations. AA policies have drastically increased employment of PDIs in SA. An increase in diversity is imperative in advertising agencies, while several have implemented AA policies.

- Zeknick (1996) maintains that AA polices discriminate against non-PDIs and are counter productive, since frequently the best qualified individual does not get the job. A majority of advertising agencies emphasised that they would always employ the most suitably qualified candidate for the job regardless of AA.

- Human, Bluen and Davies (1999) believe that SA has made an error by equating AA policies to targets and preferential treatment, instead of using it to overcome barriers to opportunity for PDIs.

- Other limitations of AA are that it seldom uplifts the most disadvantaged PDIs, but elevates those who are already well off; it is often based on political empowerment as opposed to economic empowerment; there is no ending date, which violates the principle of equal opportunity (Nel, van Dyk, Haasbroek, Schultz, Sono & Werner, 2004).

3.4.1.3 Employment Equity plan

Employers should prepare and implement an EE plan based on the above analysis and audit (Sections 20 of the EE Act (Act No. 55 of 1998)). The plan should clearly indicate reasonable progress towards EE and should include:

- The plan's objectives to be accomplished each year, for example, attitudes in the workplace, representation in the workplace, the work environment and so forth.
- AA measures that are implemented should be based on the audit. These should be taken into consideration with regard to new appointments, numerical goals, recruitment, selection and assessment, performance evaluation, retention, education, training, development and job description, as well as how to deal with scarce human resources.
- A timetable for the achievement of quantitative goals and strategies each year.
- Duration of the plan should be between 1 to 5 years in length.
- Where insufficient representation of people from designated groups has been identified, quantitative goals should be established to attain equal representation of aptly qualified people from these groups within every occupation, category and level.
- Procedures that are utilised to monitor and evaluate the plan and to establish whether fair progress has been made when implementing EE (ACA, 2007b).

According to Section 21 of the EE Act (Act No. 55 of 1998), the employer should provide a summary of its EE plan to the DoL and submit a progress report on the plan to the Director General of the DoL once a year for 150 employees or more (large employers) and every second year for fewer than 150 employees (small employers). The findings of this BEE study shows that a minority of advertising agencies in the Cape Peninsula submitted EE plans regularly and that there was a fair degree of confusion pertaining to the submission thereof.

3.4.1.4 Stumbling blocks of the EE Act

The Commission for Employment Equity's (CEE) annual report (SA. DoL, 2007c), for both large and small employers, identified the following impediments and problems pertaining to the EE Act:

- Progress of implementation of the EE Act by employers has been slow, which shows that there are still major racial and gender discrepancies in South Africa. For example, Black representation at top management increased from 12.7% in 2000 to 22.2% in 2006, a negligible average of 1.6% per year, while Black African representation at this level increased by an even less significant amount of 0.9% per annum. Black females hold 9.6%, while White females occupy 14.7% of top management positions. At a professionally qualified and middle management level, Black representation decreased from 44.1% in 2000 to 36.5% in 2006 and Black African representation decreased by 12.6%. According to

CEE, White females are over-represented at all management levels and there are questions whether this group should still be classified as a designated group. These findings are similar to those in the advertising industry.

- Stronger enforcement mechanisms are needed to ensure that employers fully comply with provisions of the EE Act. The findings of this BEE study confirm these sentiments. The number of EE reports received in 2006 decreased by 26.7% compared to 2004, whereas the number of reports that were not analysed (owing to poor quality), increased. The EE registries of 2005 – 2007 indicated that of the twelve advertising agencies included in this BEE study, two submitted EE plans in 2005 (SA, 2006:1-153), five in 2006 (Motha, 2008) and four in 2007 (SA, 2008b:1-55). The findings of this BEE study confirm that stricter measures should be implemented in order to compel employers to comply with the EE Act.

- People who have disabilities are being marginalised, in that employers are still very apprehensive in employing people from this group. People who have disabilities have decreased from 1% in 2000 to 0.7% of the workforce in 2006. Once again, the findings of this BEE study concur with the aforementioned.

The CEE has recommended that the EE Act be reviewed to ensure compliance and enforcement of the EE Act. CEE concluded their report by stating that no BBBEE will take place for Black people without EE. Reasons for a low compliance rate among advertising agencies are revealed by the findings of this BEE study, as well recommendations that are made to remedy this problem.

3.4.1.5 Integration of EE and BBBEE Acts

The EE Commission has worked closely with the DTI to ensure that the EE element of the BBBEE Codes of Good Practice was adequately addressed and developed. The main agenda of DoL was to create a balance on the EE scorecard to overcome the slow progress made by employers since commencement of EE Act in 1998, but also to set realistic goals that employers could attain in 10 years. It is important to note that EE in the BBBEE Codes of Good Practice refers to Black employees at management level, with the only exception being persons who have disabilities (of all races). EE in the EE Act includes PDIs at all organisational levels, which is broader and, therefore, also includes the BBBEE Codes of Good Practice classification of EE. The study's objectives are to uncover challenges and benefits of all employees at all organisational levels, hence the EE referred to in both Acts are important.

The BBBEE Codes of Good Practice allow Qualifying Small Enterprises (QSEs) a reprieve by allowing them to select any four of the seven elements (EE is one), however, there has been a misunderstanding whereby employers interpret the Codes of Good Practice as being exempt from complying with the EE Act. However, this issue has been addressed in the BBBEE Codes of Good

Practice, which states that even if a QSE does not pursue EE in terms of the BBBEE Codes of Good Practice, it is still required to act in accordance with the provisos of the EE Act. EE constitutes 15 points of the generic BBBEE scorecard and employers would only qualify for points in a specified measurement category if the employer's Black representation is at a minimum of 40%. Employers that meet or surpass the percentage will qualify for bonus points and additional points are awarded for increased Black female representation.

The CEE was satisfied with the alignment process with the DTI and hoped that synergy with the BBBEE Codes of Good Practice would be a platform for rapid advancement of EE in the workplace (SA. DoL, 2007c). However, it was perhaps not as rapid as the DoL had hoped for, and albeit slow, EE progress has been made in the advertising industry.

3.4.2 Black Economic Empowerment (BEE)

3.4.2.1 Background to BEE

The economic, political and social oppression of Black South Africans led to major structural misrepresentations. As a result, the SA economy in the 1980s was characterised by high levels of unemployment, disproportionate distribution of income, as well as low levels of growth and investment. Jack (2006:19-23) divides BEE into distinctive three periods known as "waves". The first wave of BEE began in 1993 and primarily focussed on labour-related issues (such as skills development and EE) and development of small, medium and micro-enterprises (SMMEs). SA's first democratic government was elected in 1994 with a clear directive to transform the economic, political and social landscape, as well as inequalities of the past. This directive is enshrined in SA's Constitution, which embodies equality rights of all persons in SA and provides instruments to address inequalities of the past. The Reconstruction and Development Programme (RDP) provided a detailed plan to eliminate apartheid and to build a new non-racial, non-sexist democratic society and economy. The following legislative measures were implemented post-1994 elections (SA. DTI, 2004b: 4-11):

- In 1995 a strategy for the growth and encouragement of small business in SA was promulgated, therefore the establishment of new Black-owned and controlled organisations was the core element of the strategy.
- In 1996 the National Small Business Act was established and furnished a constructive environment for SMMEs.
- In 1997 a Green Paper on public sector procurement reform was issued, which acknowledged the SA government as the major purchaser of goods and services in the economy. The Preferential Procurement Act was gazetted in 2000, which placed the responsibility on government to effectively utilise its purchasing power in support of BEE and small enterprise development.

- In 1998 vital pieces of legislation, which covered particular components of BEE, were passed:
  - The Competition Act (1998), which aimed to address unfair constraints, disproportionate ownership and control of the economy as a result of apartheid, by increasing the ownership stake of PDIs.
  - The EE Act prohibited all types of unfair discrimination in the workplace, in order to provide equal opportunities to PDIs in all occupations and organisational levels.
  - The National Empowerment Fund Act afforded PDIs a chance to acquire shares, promote savings, participate in investments and support PDI business ventures.

Legislation that was passed in 1994 has accomplished much in undoing the legacy of apartheid. However, there were no guidelines for empowerment and BBBEE ownership was not high on government's agenda. Transformation and BEE were predominantly driven by the private business sector. This resulted in only a small number of successful Black companies and still a majority of Black PDIs did not participate significantly in the SA economy. Their participation needed to be accelerated and it was also essential that other types of discrimination such as those based on gender and disability, were dealt with. The first wave of BEE lasted for a five year period and ended in 1998 (Jack 2006:19-23), when the time was right for introduction of a detailed and purposeful BEE strategy. Consequently, the government has outlined broad economic strategies to transform the economy by 2014 (SA. DTI, 2004b:4-11).

3.4.2.2 Overview of BEE development process

The second wave of BEE began in 1999 and gathered pace after Mr Thabo Mbeki was elected as SA's new president in 2000. This wave was exemplified by establishment of BEE legislation, policies and regulations to highlight the need for transformation, Transformation Charters and introduction of the first phases of the BBBEE Codes of Good Practice and scorecards (Jack, 2006:19-23). The government has undertaken several measures to transform the economy; these have provided a platform for a BEE strategy to draw these measures together in a central and coherent manner. There was a great need for a common definition and explanation of what was meant by BEE, since there had been much confusion in the past (SA. DTI, 2004b:11). The BEE strategy document was published in March 2003 and defined BEE as "an integrated and coherent socio-economic process that directly contributes to the economic transformation of SA 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" (SA. DTI, 2004b:12). A key principle of the BEE strategy is that it is broad-based since BEE aims to accelerate the re-entry of disadvantaged groups into the economy (SA. DTI, 2004b:13). These sentiments were also outlined in the first generic BBBEE scorecard that consisted of seven elements and which are highlighted in Table 3.1.

Table 3.1: Elements of first generic BBBEE scorecard

ELEMENT	POINTS
Ownership	20
Management Control	10
Employment Equity	10
Skills Development	20
Preferential Procurement	20
Enterprise Development	10
Socio-Economic Development	10
TOTAL	**100 Points**

(SA. DTI, 2003:23)

After numerous public hearings and several significant and constructive amendments, the BBBEE Bill was tabled on 20 August 2003 (SA. DTI, 2003), which provides a structure for development and implementation of the BEE policy. The Bill created instruments to implement, monitor and regulate the BEE process as it unfolds (SA. DTI. 2003). The much anticipated BBBEE Act (Act No. 53 of 2003) was promulgated on 9 January 2004 and its main objectives are to facilitate BEE by:

- 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 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, so as to achieve sustainable development and prosperity.

- Promoting economic transformation in order to enable meaningful participation of Black people in the economy (SA. DTI, 2004a:5-6).

The BBBEE Act is a legislative framework that permits development of the Codes of Good Practice and provides a uniform structure for measurement of BBBEE across all sectors of the SA economy. This implies that no industry will be disadvantaged over another when providing their BEE credentials. From an advertising perspective, the Act makes provision for the gazetting of sector charters for general information, giving them recognition as a key driver of BEE and providing industries with an opportunity to pursue consultative discussions regarding BEE (SA. DTI, 2005b:4). The advertising industry had already completed and implemented two Transformation Charters by the time government approved phase 1 of the BBBEE Codes of Good Practice. Refer to Figure 3.1 for a concise summary of the development process of the BBBEE Codes of Good Practice.

April 2004	Drafting of phase 1 commenced
Dec 2004	First drafting of phase 1 released for public comment
Mar 2005	Compilation of comments of phase 1
April 2005	Drafting of phase 2 commenced
June 2005	Second draft of phase 1 discussed with private sector stakeholders
Oct 2005	Cabinet approves phase 1 in principle
Nov 2005	Release of final draft of phase 1
Dec 2005	First draft of phase 2 released for public comment
Mar 2006	Deadline for comments on phase 2
Aug 2006	Phases 1 and 2 simplified compared to drafts
Dec 2006	Cabinet approval of phases 1 and 2
Feb 2007	Gazetting of the BBBEE Codes of Good Practice

Figure 3.1: Development process of BBBEE Codes of Practice

(Adapted from SA. DTI, 2005b:5)

DTI was commissioned to develop the Codes of Good Practice on BBBEE, which were based on the provisos of the BBBEE Act no. 53 of 2003. The primary purpose of the BBBEE Codes of Good Practice was to provide clear guidelines and principles to aid public and private sectors to implement the BBBEE Act's objectives. The drafting of the BBBEE Codes of Good Practice was undertaken in two phases, with the first commencing in April 2004, while the final draft was released in November 2005 (SA. DTI, 2004).

The first phase of the Codes of Good Practice dealt with the following areas of BBBEE:

- Background, intention and application of the Codes of Good Practice;
- Framework for measurement of BBBEE (Code 000);
- Measurement of the ownership element of BBBEE (Code 100); and
- Measurement of the management and control element of BBBEE (Code 200) (SA. DTI, 2004).

The drafting of the second phase of the Codes of Good Practice on BBBEE began in April 2005 and was released in December 2005 for public comment.

The second phase of the Codes of Good Practice dealt with the following areas of BBBEE:
- Framework (Code 000);
- Measurement of the ownership element (Code 100);
- Measurement of the EE Element (Code 300);
- Measurement of the skills development element (Code 400);
- Measurement of the preferential procurement element (Code 500);
- Measurement of the enterprise development element (Code 600);
- Measurement of the residual element (Code 700); and
- BBBEE Codes of Good Practice for QSEs (SA. DTI, 2005).

The first phase of the third BEE wave emerged during this period. This wave is characterised by Black individuals starting their own businesses and growing them via procurement and enterprise development opportunities that had arisen from BEE, without having to enter into BEE ownership deals. Consequently, BEE demonstrated a positive trend over the next couple of years, since government formulated a complete BEE regulatory framework (Reddy & Shubane, 2007). The deadline for the submission of comments for the two phases of the Codes of Good Practice was 31 March 2006. By August 2006, the Codes of Good Practice had been amended to a more simplified format in terms of content when compared to the drafts. After SA's cabinet approval in December 2006, the BBBEE Codes of Good Practice were further simplified before the DTI released a guide to the finalised BBBEE Codes of Good Practice. The BBBEE Codes of Good Practice was gazetted on 9 February 2007 (Empowerdex, 2007b).

3.4.2.3 BBBEE Codes of Good Practice (Section 9(1))

The second phase of the BEE third wave commenced when DTI gazetted the BBBEE Codes of Good Practice in February 2007, which provided a vital framework on both how to approach and measure BEE endeavours for the transformation of the SA economy. Simply acquiring a BEE partner was no longer sufficient to satisfy stipulations of BEE, since meaningful participation was required in every aspect and all areas of organisation via the seven elements of BBBEE (Lalu & Webb, 2007).

This final legislative step resolved a number of issues and uncertainties concerning government's stance on BEE. The BBBEE Codes of Good Practice represents an intelligent balance between government's original views on BEE and the desires of business. Figure 3.2 provides an overview of the BBBEE Codes of Good Practice's implementation structure.

BBBEE Act No. 53 of 2003	Legislative Enabling Framework
BBBEE Strategy	Strategic Framework

Codes of Good Practice	Implementation Structure and Guidelines

Generic or sector specific BEE scorecards	Interpret BEE definitions & principles	Set BEE indicators, weightings & targets	Guidelines to draw up BEE charters	Guidelines to maintain institutional framework (BEE council/ accreditation agencies)

Figure 3.2: BBBEE Codes of Good Practice implementation structure

(SA. DTI, 2007a:7)

The BBBEE Codes of Good Practice (Section 9(1)): Code 000 (statement 000) provides an outline of seven core elements of BBBEE in terms of the generic scorecard. The elements are summarised below.

- Ownership (code 100): measures effective ownership of companies by Black individuals.
- Management control (code 200): measures effective control of companies by Black persons.
- Employment equity (code 300): measures initiatives intended to achieve equity in the workplace in line with the EE Act.
- Skills development (code 400): measures the extent to which employers develop competencies of Black employees.
- Preferential procurement (code 500): measures the extent to which companies buy goods and services from BEE compliant suppliers, as well as Black-owned entities.
- Enterprise development (code 600): measures the extent to which companies carry out initiatives, which contribute to enterprise development.
- Socio-economic development (code 700): measures the extent to which companies support socio-economic development (DTI, 2007c:8).

The BBBEE Codes of Good Practice also provides for the following components in its framework:

- Framework for measuring BBBEE (code 000): provides general principles and a generic scorecard, guidelines for development and gazetting of Transformation Charters and sector codes and guidelines for special entities.

- QSEs (code 800): measures and provides general principles for QSEs in all elements of the scorecard.
- Public private partnership (code 900): to be gazetted as a code once aligned with the generic codes (SA. DTI, 2007a:10).

An important, but ambiguous and not widely published document emanated from code 000 in phase 2 of the BBBEE Codes of Good Practice entitled, "guidelines on complex structures & transactions, and fronting" (previously Statement 002), which specifically relates to code 800 of BBBEE Codes of Good Practice (Section 9(1)) and was published in August 2007 (SA. DTI, 2007d: 1-9). The contents of this document have major implications on whether the generic or QSE scorecard should be used owing to the ambiguous wording and resulting interpretations thereof. These implications are fully scrutinised in the "Discussion of results" section.

The BBBEE Codes of Good Practice has classified entities into three sizes and granted special dispensation to new entities:

- Generic companies that have a turnover of R35 million and above will be measured against the generic scorecard (DTI, 2007b:9-10). Table 3.2 provides an overview of the BBBEE Codes of Good Practice's generic scorecard compared to the MAC Transformation Charter's generic scorecard.

Table 3.2: BBBEE Codes of Good Practice's Generic scorecard versus MAC Transformation Charter's generic scorecard

Element	Weighting (points)		Compliance Targets	
	Generic	MAC	Generic (Year 6 – 10)	MAC 2014
Ownership	20	20	25% + 1	45%
Management control	10	15	40% to 50%	50%
Employment equity	15	15	43% to 80%	60%
Skills development	15	15	3% of payroll	3%
Preferential procurement	20	15	70%	50%
Enterprise development	15	15	3% Net profit after tax (NPAT)	5%
Socio-economic development	5	5	1% NPAT	5%
TOTAL	100	100		

(SA. DTI, 2007c:9 and SA, 2008a:9-12)

The MAC Transformation Charter weightings and compliance targets are similar compared to the BBBEE Codes of Good Practice's generic scorecard. The only difference in terms of the weightings is that the MAC Transformation Charter allocates five points less to preferential procurement and allots them to management control. The BBBEE Codes of Good Practice have set long-term compliance targets, which should be achieved over ten years (2018), whereas the MAC Transformation Charter targets should be achieved by

2014. When comparing MAC's transformation targets to the BBBEE Codes of Good Practice's long-term compliance targets, ownership, enterprise development and socio-economic development targets are higher in the MAC transformation scorecard, management control and skills development the same and EE and are preferential procurement lower. It should also be taken into consideration that if MAC's transformation is later gazetted in terms of Section 9 of the BBBEE Act (Act No. 53 of 2003); advertising agencies will have four years less to attain the aforementioned targets when compared to the BBBEE Codes of Good Practice's generic scorecard targets' timeframe.

- QSEs are companies, which have an annual total turnover of between R5 million and R35 million. These companies will be measured against the QSEs scorecard (Code 800) and should comply with four out of seven BBBEE elements. The QSEs scorecard apportions an equal weighting of 25 points to each of the seven BBBEE elements, unlike the generic scorecard (DTI, 2007b:9-10). Refer to Table 3.3 to view the QSE scorecard compared to the MAC Transformation Charter's QSE scorecard.

Table 3.3: BBBEE Codes of Good Practice's QSE scorecard versus
MAC Transformation Charter's QSE scorecard

Element	Weighing (points)		Compliance Targets	
	Generic	MAC	Generic (Year 6 – 10)	MAC 2014
Ownership	25	20	25% + 1	45%
Management control	25	20	40% to 50%	50%
Employment equity	25	20	43% to 80%	60%
Skills development	25	20	3% of payroll	3%
Preferential procurement	25	20	70%	50%
Enterprise development	25	20	3% Net profit after tax (NPAT)	5%
Socio-economic development	25	20	1% NPAT	5%
TOTAL	100	100		

(SA. DTI, 2007c:33 and SA, 2008a:13)

There are three significant differences between the MAC Transformation Charter and BBBEE Codes of Good Practice's QSE scorecards. The MAC Transformation Charter allocates five points less to each BBBEE element; QSEs must select five BBBEE elements instead of four and at least one of three BBBEE elements must come from either ownership, management control or EE. The MAC Transformation Charter's QSE scorecard is, therefore, broader (since five elements must be selected) and more stringent (since ownership, management control or employment equity take longer to develop than the other BBBEE elements), compared to the BBBEE Codes of Good Practice's QSE scorecard.

- Exempted Micro-Enterprises (EMEs) have an annual total turnover of R5 million or less and are also known as Micro and Survivalist Companies. EMEs are automatically given a BBBEE recognition level of four and a level three contributor status if 50% is owned by Black persons. Start-up enterprises should be measured as an EME in the first year, except if they tender for a contract with a value of higher than R5 million (but less than R35 million), in which case they are required to use the QSEs scorecard. If they tender for a contract of greater than R35 million, they should use the generic scorecard (DTI, 2007b:10). EMEs are treated in the same way in the MAC Transformation Charter.

Stipulations in the BBBEE scorecards effectively mean that only 1.5% to 2% of entities are expected to completely comply with BBBEE requirements in the SA economic context; however, their contribution to the GDP amounts to 62%. QSEs comprise 10% of all entities and add 28% to GDP, but have received reduced BBBEE compliance requirements. EMEs make up 88% of entities, contribute about 10% and have been given special dispensation to be exempted from BBBEE requirements (Empowerdex, 2007c). Refer to Table 3.4 for an overview of the impact that BBBEE Codes of Good Practice have on the economy.

Table 3.4: Impact of BBBEE Codes of Good Practice on economy

Company size	Turnover threshold	Number of companies of this size	GDP contribution of businesses of this size	BEE compliance
Large Generic	R35m and over	1.5% to 2%	62%	Full compliance
Small & Medium (Qualifying Small Enterprises)	R5m to R35m	10%	28%	Relaxed compliance
Survivalist & Micro (Exempt Micro-Enterprises)	R5m or less	88%	10%	No compliance

(Empowerdex, 2007c)

The interests of certain categories of specific Black individuals are promoted throughout the BBBEE Codes of Good Practice, which is also apparent from the scorecards. (Section 9(1)): Code 000 (statement 000) stipulates that:

- Black women should constitute 40% - 50% of beneficiaries for all the components contained in the BBBEE generic scorecard.
- Black individuals who have disabilities, Black youth, Black individuals who live in rural areas and Black unemployed individuals, should constitute 2% - 3% of beneficiaries for all the components contained in the BBBEE generic scorecard (SA.DTI, 2007c:12).

Refer to Figure 3.3 to view the BBBEE beneficiary base in greater detail.

Equitable Economic Opportunities	
↑ Ownership Management	**Emerging Black Middle Class & Investors**
The Opportunity Barrier	
↑ Affirmative Procurement ↑ Enterprise Development	**Black Entrepreneurs**
The Business Barrier	
↑ Skills Development & Employment Equity	**Black Workers & Job Seekers**
The Skills Barrier	
↑ Employment Equity / Job Creation ↑ Corporate Social Investment	**Black Unemployed & Rural Poor**
The Poverty Barrier	

Figure 3.3: BBBEE beneficiary base

(SA. DTI, 2007c:6)

Private sector entities should apply the BBBEE Codes of Good Practice if they desire to conduct business with government bodies in all of the above transactions, as well as transactions with each other. Such transactions will boost private sector entities' BEE status throughout the chain of supply by means of the preferential procurement element of the BBBEE Codes of Good Practice (SA. DTI, 2007a:12-13).

The BBBEE Codes of Good Practice apply to all government bodies and public entities. Hence the government should apply the BBBEE Codes of Good Practice in their economic transactions in the following areas: procurement, licensing and concessions, public private partnerships (PPPs) and the sale of government owned entities. To whom the BBBEE Codes of Good Practice applies and different implementation levels thereof, are graphically illustrated in Figure 3.4.
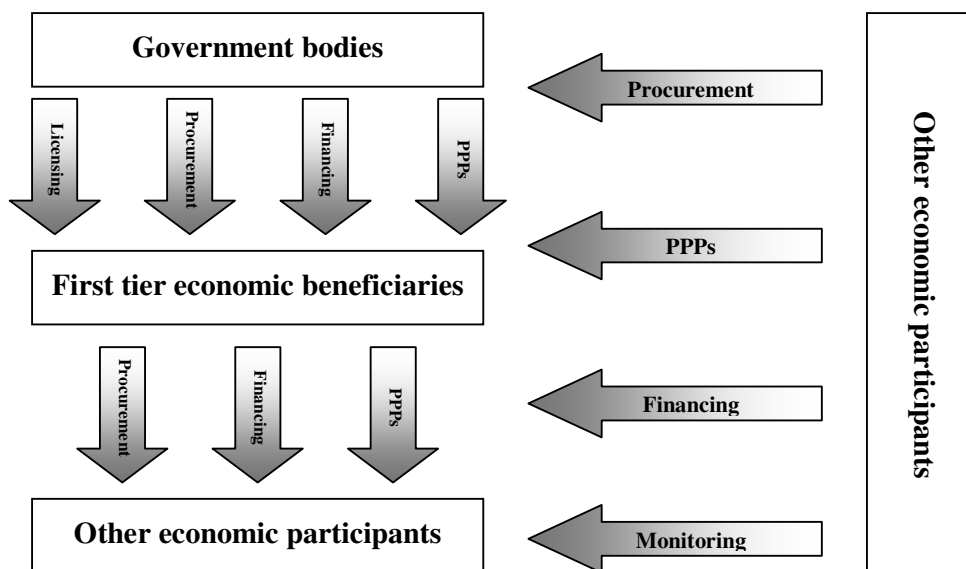
Figure 3.4: Who the BBBEE Codes of Good Practice applies to and implementation levels
(Adapted from SA. DTI, 2007a:12)

It is important that decision-makers of public and private sector entities base their decisions on the BBBEE Codes of Good Practice and that these are implemented when they:

- Report BEE spend and transactions;
- Make economic decisions that are based on BEE principles; and
- Implement BEE initiatives (SA. DTI, 2007a:13).

The application of the BBBEE Codes of Good Practice to an entity means that it will be measured according to the targets and weightings contained in the relevant scorecard. The measured entity receives a score that will establish its BEE status and contribution level (SA. DTI, 2007a:13-14).

3.4.2.4 Framework for measurement of BBBEE (Code 000)

Code 000 provides an outline of the framework in which the measurement of BBBEE must transpire, as well as a means to decipher significant principles concerning BBBEE and its application. Code 003 allows for legally binding sector charters that permit sectors to take into account their distinctive industry-specific characteristics when executing BEE. The most important generic measurement principles that are provided in code 003 include:

- Measurement of BEE principles based on the actual level of compliance at a specific date;
- All claims with regard to BEE by a measured enterprise must be supported by evidence;
- Any enterprise that is found guilty of misrepresenting its BEE status will be stripped of any BEE points and its whole scorecard may be disqualified; and
- Any incidences of fronting or circumvention of the principles of the BBBEE Act should be reported to the minister of the DTI (SA, DTI, 2005b:12-13).

Table 3.5 provides an overview of the impediments, implications and solutions provided by the BBBEE Codes of Good Practice.

Table 3.5: Impediments, implications and solutions provided by the Codes of Good Practice for BBBEE

Historical BEE Impediments	Implications	Solution
No uniform framework for BEE recognition and measurement	Widespread confusion as some BEE endeavours may have received different BEE recognition by different state departments and verification agencies	Standardisation of BEE recognition and measurement principles to provide clarity
BEE delays owing to differences in interpretation	Sectors are often locked in debates concerning particular aspects of BEE, thus delaying the implementation of BBBEE initiatives	Standardisation of BEE recognition and measurement principles to provide clarity
Lack of clarity in definitions and targets in charters and other BEE provisos	Different charters introduced definitions, targets and processes, which may have diluted or negated the impact of the strategy and principles of the BEE Act	Specification of provisos for the development and recognition of industry charters
Transformation charter's status was unclear	Confusion and delays in BEE execution resulted as entities were uncertain about the status and application of charters	Specification of provisos for the development and recognition of industry charters
No underlying economic substance to BEE dealings	Several BEE deals boasted high levels of Black ownership, but the actual economic benefits accruing to Black shareholders proved to be drastically lower	Provision of a balanced ownership scorecard, which measures voting rights and net economic interest in the hands of Black individuals
Fronting owing to lack of guidelines	Little understanding of BEE elements often resulted in fronting and hence fronting was not easy to detect	Clear stipulation of definitions, principles and processes to implement proper BEE initiatives
Lack of transformation in management levels	Attempts at transformation within entities failed, hence there was a lack of representation of Black individuals at management level	The Codes promote Black representation at all management levels within entities
Indecision as to what constitutes skills development spend	Skills spend may not have been aligned to a specific learning outcome	Alignment of skills development spend on Black employees to the learning program matrix
Limited BEE recognition, since it only benefited a small number of Black people who have access to capital	A small number of Black individuals have profited from BEE	The Codes promote BBBEE by advocating procurement opportunities made available to BBBEE compliant suppliers, Black owned and Black women-owned entities and SMMEs
Little awareness of what constitutes enterprise development	Enterprise development is a new concept specific to BBBEE, hence there is little documentation on what constitutes enterprise development	Statement 600 summarises the principle and provides examples of enterprise development
Initiatives in corporate social investment excluded Black individuals	A Black majority were excluded from the mainstream economy	Statement 700 promotes socio-economic initiatives that assist Black individuals to be better equipped to access the mainstream economy
Regulations of BEE was a barrier to small entity development	Small businesses were inclined to pay no attention to BEE or resorted to fronting in order to preserve customers for business purposes	Entities with turnovers of less than R5 million are exempted from BBBEE provisos and QSEs only need to comply with four BBBEE elements

(Adapted from SA. DTI, 2007a:6-7)

The BBBEE Codes of Good Practice have cleared up much confusion surrounding BEE and have gone a long way to overcome several issues, but this BEE study will show that some of the impediments in Table 3.2 remain problematic for advertising agencies in the Cape Peninsula, especially in terms of the delays owing to legislate interpretations, fronting and a lack of transformation at management level. Several others will be raised in the "Challenges and benefits of BEE", "Recent criticism and praise levelled at BEE" and "Discussion of results" sections.

As mentioned previously, statement 000 provides an overview of what each BBBEE element measures and the score that is allocated via the BBBEE's generic scorecard. An enterprise's score is calculated out of 100 BEE contribution points, which will establish its BEE status and contribution level. Refer to Table 3.6 to view BBBEE contribution and procurement recognition levels.

Table 3.6: BBBEE procurement recognition levels

Contribution level (BEE rating)	Qualification	Procurement recognition level
Level one contributor (AAA+)	≥100 points on the scorecard	135%
Level two contributor (AAA)	≥85 but <100 points on the scorecard	125%
Level three contributor (AA)	≥75 but <85 points on the scorecard	110%
Level four contributor (A)	≥65 but <75 points on the scorecard	100%
Level five contributor (BBB)	≥55 but <65 points on the scorecard	80%
Level six contributor (BB)	≥45 but <55 points on the scorecard	60%
Level seven contributor (B)	≥40 but <45 points on the scorecard	50%
Level eight contributor (C)	≥30 but <40 points on the scorecard	10%
Non-compliant contributor (D)	<30 points on the scorecard	0%

(SA. DTI, 2007a:16 and SA, 2008a:10)

"Level One" is the maximum contribution level for entities that achieve over 100 points, while the lowest contribution level is eight (entities achieve 30 points to 40 points) and those enterprises that score less than 30 points receive a "non-compliant contributor" status. The higher the BBBEE score, the greater recognition another enterprise will receive for conducting business with this enterprise owing to the BEE preferential procurement component. For example, if an enterprise conducts business with a level three contributor, they can claim R1.10 for every R1.00 spent with this entity as BBBEE procurement spend. Whereas, if the enterprise were to conduct business with a Level Six Contributor, the BBBEE procurement spend would decrease to 60 cents for every R1.00 spent. Therefore, enterprises prefer to conduct business and to procure from entities with a higher BEE status, as this strengthens their own BEE position (SA. DTI, 2007a:16). The aforementioned BEE procurement recognition process is identical in the MAC Transformation Charter.

BBBEE Codes of Good Practice Act (Section 9(1)): Code 000 (statement 000) Paragraph 10 advocates that BEE data and suppliers should be verified by accredited BEE verification agencies in order to validate such data. A public entity, the South African National Accreditation System (SANAS), has been commissioned to accredit the verification agencies and to develop the accreditation standards (SA. DTI, 2007b:11-12). Furthermore, the transitional period for the implementation of BEE is over, since it expired on 31 August 2008. Companies were allowed to assess ownership and management control on more narrow elements in their BBBEE scores, but are now required to use the full generic and QSE BBBEE scorecards (Stewart, 2008a:4).

3.4.2.5 Transformation Charters (Statement 003)

Since the first phase of the BBBEE Codes of Good Practice was made public in December 2004, various industries prepared documents stating their commitment to transformation. These are known as sector Transformation Charters (also known as industry or sector charters). Section 12 of the BBBEE Act (No. 53 of 2003) made provision for the gazetting of Transformation Charters, but there was no comprehensive framework from which to develop and benchmark the charters. Some of these charters were developed well before the BBBEE Act and Strategy document were promulgated and hence there were extensive differences between these industry charters and subsequent legislation (Empowerdex, 2007d).

The primary purpose of the BBBEE Codes of Good Practice was to present both government and industry with a uniform framework. Statement 003 provides a complete regulatory framework to direct the formation of Transformation Charters, which also allows for them to be gazetted either in terms of Section 9 or 12 of the BBBEE Codes of Good Practice. Refer to Table 3.7 for more detail.

Table 3.7: BBBEE Codes of Good Practice Section 9 versus Section 12 industry charters

Sector Codes - Section 9 of BBBEE Codes of Good Practice	Industry Charters - Section 12 of BBBEE Codes of Good Practice
Gazetted as industry Codes of Good Practice	Gazetted for information purposes only, Section 12 charters are reflections of the industry's commitment to transformation
Equivalent legal status as the BBBEE Codes of Good Practice, thus binding on all entities in their interactions with the sector, as provided for in Section 10 of the BBBEE Act	No legal status and hence not legally binding on entities
Private entities are encouraged to apply the BBBEE Codes of Good Practice (and Sector Codes) in their exchanges with one another, as advocated in Code 000	Private entities must employ Codes 100 to 700 in their exchanges with other entities

(SA. DTI, 2007a:28)

Industry charters gazetted in terms of Section 12 of the BBBEE Act must comply with two factors. The charter must be adequately consultative, since it must have been developed by the sector's major stakeholders and it must advance the goals of the BBBEE Act.

The following factors must be taken into consideration when drafting an industry charter:
- The specific industry must work together with the government and public entities;
- The entities within the specific industry must have similar business-related factors;
- The collective volume and value of interactions and transactions, which take place between the sector, government and other public entities, must be significant; and
- The particular industry must be of national strategic importance as decided by government (Empowerdex: 2007c).

The process for gazetting industry charters in terms of Section 9 is far more rigorous compared to Section 12 charters of the BBBEE Act, as they become Codes of Good Practice, which are binding on all entities (SA. DTI, 2005:17). Refer to Figure 3.5 for greater detail.
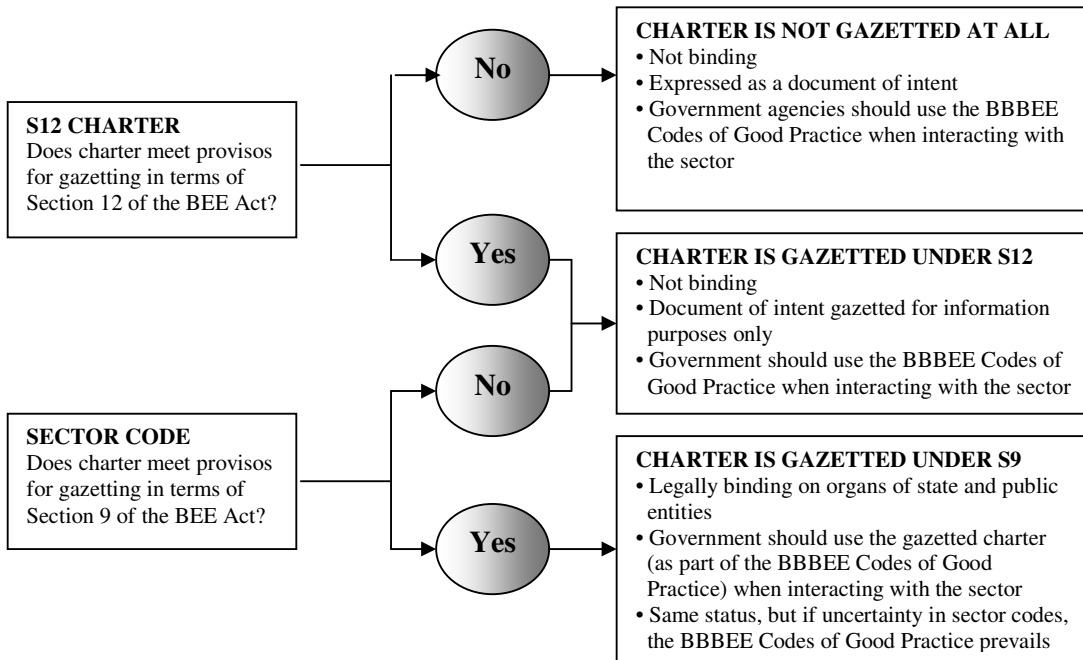
Figure 3.5: Implications of Gazetting of Industry Charters under Sections 9 and 12

(SA. DTI, 2005b:16)

The following steps should be taken when drafting an industry charter according to the suggested model for the development thereof:

- There must be a public declaration of intent to draft a Transformation Charter.
- The developers of the proposed charter should recommend the setting of the mandate and main goals of the charter. They should then present the proposed mandate to chief stakeholders for comment and deliberation. The final mandate must clearly portray the desires and concerns of relevant stakeholders.
- The developers of the charter must appoint a steering committee that is both representative of the stakeholders and comprises of senior and significant members of organisations and departments within the specific industry.
- The steering committee must appoint various working groups, each to work on specific components, to assist in the drafting of the charter.
- The steering committee must assemble and present the principal elements of the draft charter to relevant stakeholders based on suggestions from the working groups.

- The steering committee must obtain input on the first draft and scorecard from all of the relevant stakeholders (Empowerdex: 2007c).

As stated on several occasions in prior text, the MAC Transformation Charter was gazetted on 29 August 2008 under Section 12 of the BBBEE Act (Act No. 53 of 2003). It is not binding on advertising agencies, but the advertising industry's next objective will certainly be to get it gazetted under Section 9. This will effectively reduce the timeframe that advertising agencies have to achieve targets in the charter and thus it is vital that they begin to proactively work towards these targets. This BEE study shows that some advertising agencies have complied with the targets, while others have not.

3.4.2.6 BBBEE ownership element

The ownership element of BBBEE measures the effective ownership of entities by Black individuals. The first BEE deals were initiated in the late 1990s, which revealed that there were a number of problems with BEE transactions that should be addressed:
- The low participation of Black women in BEE deals.
- The reversal of Black equity to White owners owing to a breakdown of BEE deals, as a result of complex structuring and burdensome repayment terms.
- The BEE ownership status of entities was exaggerated when compared to the actual financial benefits that Black beneficiaries received, as they were diminished by financing and voting limitations.
- The low level of participation by broad-based beneficiaries such as Black rural people, Black unemployed people, Black workers and Black disabled people (Black designated groups).
- Several deals were concluded amongst a few BEE individuals, as there was no inducement for entities to search further than these BEE individuals.
- Fronting was problematic and defined as any entity, mechanism or structure established in order to evade BEE requirements or to misrepresent BBBEE status (refer to BBBEE Codes of Good Practice: Code 000 (statement 001) for additional information on fronting practices and other misrepresentation of BBBEE status).

Statement 100 of the BBBEE Codes of Good Practice Act (Section 9(1)) dealt with these issues by providing specific inducements in the ownership scorecard to ensure participation by Black women, Black designated groups and Black new entrants, thus ensuring that only the economic interests of Black individuals was considered (SA. DTI, 2005b:22).

The ownership scorecard measures the different elements normally attached to ownership in order to determine the degree of Black ownership participation (which is illustrated in Table 3.8):
- Voting rights - control of an entity via exercising voting rights at shareholder meetings.

- Economic interest - entitlement of Black individuals to capital gains, dividends and other economic rights of shareholders.
- Net value - the collective net economic interest held by Black shareholders, after subtraction of monies owed by them.

Bonus points are awarded for involvement with new Black entrants and the broadening of ownership to include Black participants in employee ownership schemes, broad-based ownership schemes and cooperatives (SA. DTI, 2007a:32-33).

Table 3.8: Key measurement principles of ownership scorecard versus MAC ownership scorecard

Category	Indicator	Weighting points	Compliance target
1.1 Voting rights			
1.1.1	Exercisable voting rights in the Enterprise in the hands of Black people	3 MAC - 4	25%+1 vote MAC 45%
1.1.2	Exercisable voting rights in the Enterprise in the hands of Black women	2 MAC - 2	10% MAC 45%
1.2 Economic interests			
1.2.1	Economic interests of Black people in the enterprise	4 MAC - 3	25% MAC 45%
1.2.2	Economic interests of Black women in the enterprise	2 MAC - 2	10% MAC 45%
1.2.3	Economic interests of the following Black natural people in the enterprise:	1 MAC – 1	2.5% MAC 45%
1.2.3.1	Black designated groups;		
1.2.3.2	Black participants in employee ownership schemes;		
1.2.3.3	Black beneficiaries of broad-based ownership schemes; or		
1.2.3.4	Black participants in co-operatives		
1.3 Realisation points			
1.3.1	Ownership fulfilment	1 MAC - 2	No restrictions MAC 45%
1.3.2	Net value	7 MAC - 1	Target of 25%: Year 1 10% Year 2 20% Year 3 30% Year 4 40% Year 5 50% Year 6 60% Year 7 70% Year 8 80% Year 9 90% Year 10 MAC 45%
1.4 Bonus points			
1.4.1	Involvement in the ownership of the enterprise of Black new entrants	2 MAC - 3	10% MAC 100%
1.4.2	Involvement in the ownership of the enterprise by Black participants in:	1 MAC - 2	10% MAC 100%
1.4.2.1	Black participants in employee ownership schemes		
1.4.2.2	Black beneficiaries of broad-based ownership schemes		

Voting rights
• Measures ability of Black people to control or influence measured entity
• Accounts for 5 points (out of 20 points)

Economic interests
• Measures Black peoples' legal entitlement to receive dividends and capital gains
• Accounts for 7 points (out of 20 ownership points)

Realisation points
• Measures all Black peoples' effective ownership of shares. This excludes the impact of financing and other restrictions and removes scenarios where no real economic benefits pass to the hands of Black people)

Bonus points
Measures participation by new entrants and broad-based schemes in ownership

Black women
There are four points that require participation by Black women. A measured enterprise will not be allocated these points without Black women participation

Black designated groups and broad-based schemes
Broad-based schemes, designated groups and new entrants will provide Measured Enterprises with an ability to access 4 scorecard and bonus points

(SA. DTI, 2005b:23 and SA, 2008a:10)

An entity will only receive full ownership points if there is equity involvement by Black women and Black designated groups or broad-based schemes in its ownership structure. The scorecard provides for explicit recognition of ownership participation by Black women or Black designated groups. The scorecard strives to make certain that an entity will consider its Black shareholders' ownership rights and their status when initiating a deal to introduce Black ownership or developing a new entity with Black owners (SA. DTI, 2005b:23-25). Other than a one point difference in some of the components of the ownership scorecards, there are two major differences between the MAC transformation and BBBEE Codes of Good Practice ownership scorecards: seven net value realisation points are allocated in the BBBEE Codes of Good Practice's ownership scorecard, whereas only one point is allotted in the MAC transformation ownership scorecard. This is owing to the fact that the bonus points are included in the MAC transformation ownership scorecard's twenty weighing points, while not in BBBEE Codes of Good Practice's ownership scorecard (where a further three points are available in addition to the twenty weighting points). The second difference in the MAC transformation ownership scorecard is that the compliance targets are much higher for all components thereof. Therefore, the MAC Transformation Charter is not only more stringent in its timeframe, should it be gazetted under Section 9; but it also offers fewer points and sets higher targets than the BBBEE Codes of Good Practice's ownership scorecard.

3.4.2.7 Employment Equity (EE) element of BBBEE

The EE element of BBBEE endeavours to achieve equity in the workplace. This element addresses specific core key issues pertaining to the representation of Black employees and those who have disabilities, in the workplace:

- Entities that employ Black individuals who have disabilities are measured and awarded points by the scorecard.
- Entities that employ Black individuals at all management levels are measured and awarded points by the scorecard.
- Black women have been included in the scorecard to ensure appropriate representation of influential positions (SA. DTI, 2007a:58).

The scorecard has also set targets over two phases of five years each and the following important measurement principles should also be taken in to consideration when examining the EE element of BBBEE (that is illustrated in Table 3.9):

- The entity must attempt to use the same information that was utilised for the DoL under the EE Act, to determine its score under the EE scorecard.
- Entities must achieve a sub-minimum of 40% for each of the objectives in order to qualify for any points under the EE scorecard.
- Entities (QSEs and EMEs) that are exempt from complying with the BBBEE Codes of Good Practice, must still comply with the EE Act and regulations.

- An entity that does not differentiate between junior and middle management may consolidate these management levels against targets for junior management.
- The presence of Black female employees qualifies for enhanced recognition, in the form of bonus points, for each category in the EE scorecard (Empowerdex: 2007c).

Table 3.9: Employment Equity Scorecard

Criteria		Weighting points		Compliance targets	
		Generic	MAC	Years 6 - 10	MAC 2014
1.3.1	Black disabled employees as a percentage of all employees using adjusted recognition for gender	2	2	3%	60%
1.3.2	Black employees in senior management as a percentage of all such employees using adjusted recognition for gender	5	3	60%	
1.3.3	Black employees in middle management as a percentage of all such employees using adjusted recognition for gender	4	4	75%	
1.3.4	Black employees in junior management as a percentage of all employees using adjusted recognition for gender	4	3	80%	
1.3.5	Bonus points for meeting or exceeding the EAP targets in categories 1.3.2 to 1.3.4 above	3	3		

(SA: DTI, 2007a:59 and SA, 2008a:11)

Other than a one point difference in some of the components of the EE scorecards, there are two major differences between the MAC transformation and BBBEE Codes of Good Practice EE scorecards: the bonus points are, as was in the ownership element, included in the MAC transformation EE scorecard, twenty weighting points, whereas not in the BBBEE Codes of Good Practice ownership scorecard (where an extra three points are available in addition to the fifteen weighting points). The second difference is that the MAC transformation EE scorecard compliance target is collectively set and lower for middle and lower management components of the first four components. Nevertheless, in spite of the lower targets, the MAC Transformation Charter remains more demanding than the BBBEE Codes of Good Practice EE scorecard, as it offers fewer points in a shorter timeframe. Advertising agencies should, therefore, take cognisance of this fact, should the MAC Transformation Charter be gazetted under Section 9 in the near future.

3.5   Challenges and benefits of BEE

A number of challenges and benefits of BEE have been identified from BEE literature. A majority of these also occur in the advertising industry, however, not necessarily in the same way. Additional challenges and benefits also emerge from this BEE study.

3.5.1   Challenges of BEE

There are numerous challenges in the implementation of BEE, which range from high costs to unscrupulous practices that result in narrow-based transformation.

- High costs associated with BEE - the cost of doing business in SA has escalated in terms of real costs of BEE compliance in a progressively regulated environment (Jack, 2006:19-23). There is no doubt that the implementation of any individual BBBEE element is a costly exercise (in terms of money, time, commitment and other resources), although several companies view it as an operating cost. Companies are also frequently required to fund the investment risk of BEE deals to ensure that they succeed, which few BEE investors will be willing to assume (Turok, 2006:59-64). The shortage of BEE partners with an ability or desire to pay the fair value of shares and lack of qualified and experienced Black individuals are other costs, although training and skills transfer costs may provide long-term benefits (BusinessMap Foundation, 2004). Smaller companies cannot afford the high salaries that are demanded by skilled Black PDIs who are frequently poached by larger companies. The question that many companies are asking: "will all the time and money we invested in BEE actually result in any significant increase in monetary and other benefits?" (Butler, 2006:80-85). It is a difficult task to quantify all of the costs pertaining to each aspect of BEE.

- Detrimental to foreign investment - the aforementioned costs to facilitate BEE deals could discourage companies from abroad investment in SA businesses owing to the decrease of return on invest (ROI) and uncertainties about the BEE timeframe. Investors are unable to predict whether BEE requirements will be renewed or drastically increased upon by its conclusion in 2014 (Butler, 2006:80-85).

- SA's rare capital resource is being tied up in non-productive BEE acquisition initiatives (Jack, 2006:19-23) and the transfer of shareholding in BEE deals has already exceeded the R300 billion in 2008 (Anon, 2008:1).

- BEE partners often add little value to BEE deals - a possible reason for this is that BEE investors amass numerous investments without developing necessary expertise and skills to make a significant contribution to all of their investments (BusinessMap Foundation, 2004).

- Insincere government affiliations - some companies perceive little worth from BEE deals, but there is an increasing tendency for companies to partner with prominent politicians and government officials, thereby gaining political and government access. These government affiliations result in unjustly awarded government business via contracts and tenders (Turok, 2006:59-64). They are not based on merit and performance and do not create essential long-term investments to create new businesses and train future leaders (Balshaw & Goldberg, 2005).

- Fronting - this is a problem and mainly transpires via window dressing (Black individuals in low positions are used as the face of a company or elevated to executive levels for the purposes of boosting BBBEE ratings, but personally do not receive any benefits) and the

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creation of BEE special purpose vehicles (SPVs) for short term gains both result in flawed empowerment initiatives that benefit a few (Balshaw & Goldberg, 2005). Furthermore, DTI does not have the human resources or the will to monitor fronting and has left the difficult task to BEE verification agencies that are yet to be accredited (Peacock, 2007a:17).

- Discrimination - many Coloureds (that predominantly reside in the Western Cape) feel marginalised by the current Black African dominated ruling party, even though the term "Black" in the BBBEE scorecards does not distinguish between Black, Coloureds, Indians and Africans. Manbanga (2007:13), in an article entitled, "Too Coloured for BEE", stated that "it is a common complaint that the Coloured community were not White enough to benefit from apartheid, and consequently not Black enough to benefit from SA's empowerment initiatives." Discussion with Coloured students at CPUT resulted in this same conclusion and is evidenced by the fact that several opportunities (in the form of bursaries and internships) for students specify that the candidate should be a Black African. The press is also filled with AA positions, but stipulate that applicants must be proficient in a Black language. This discrimination was clearly portrayed in the outcome of a newsworthy court case that has set a precedent. A Coloured complainant took Eskom to court on the basis of unfair labour practice and discrimination when he was not given a promotion, but was instead given to an inexperienced Black African employee. The Arbitration Court ruled in favour of Eskom (in March 2006), because it felt that the Black African candidate had been more disadvantaged by past discriminatory laws and practices. This ruling has serious implications for BEE and the notion of having "lighter-skinned" and "darker-skinned" Blacks is a serious oversight without a resolution as yet (Rosenberg, 2006).

- The true spirit of transformation - it is not difficult for large companies to implement the stipulations of BEE, but they do not comply with the spirit of BEE. Therefore, it does not make much of a difference in the lives of their stakeholders (Reed, 2003).

- Narrow-based transformation - BEE deals tend to profit a limited number from the Black elite, since there are not many BEE partners with the right credentials. Therefore, BEE is not completely broad-based (Balshaw & Goldberg, 2005).

3.5.2   Benefits of BEE

BEE was created for the purpose of benefiting and, therefore, if implemented correctly and in the spirit of real transformation, does hold a number of benefits, namely those listed below.

- BEE objectives - the most obvious benefit is the attainment of the objectives of BEE (outlined in prior text), which ultimately will improve the lives of the Black majority in SA and eliminate inequalities. A tangible difference has been experienced by many people in spite of the challenges and BEE will hopefully begin to improve the lives of all SA citizens.

- Black Diamonds - a substantial Black middle class emerged as a result of BEE policies. Black South Africans inject R300 billion (50% of the country's total buying power) into

the economy annually, of which 54% is spent by the affluent African middle class (Black Diamonds). This group has increased by 30% since they were first studied in 2006 and account for 2.6 million of the total 23 million adult African population (Naidoo, 2007 & Phillip, 2006:14). Although this is also a challenge, a the vast majority, in comparison to the Black Diamonds, still live in poverty.

- BEE facilitates utilisation of the scarce and unique skills of the previously marginalised Black majority. It is especially important in the advertising industry to communicate effectively with this market and also to position SA for long-term and sustainable growth.

- Other benefits include opportunities to reflect values and aspirations of the SA majority in the business sector; financial compensations for those that are affected by the evils of apartheid, building a democratic and capitalist class country (Jack, 2006:19-23). The creation of successful Black business icons serve as role models to inspire future generations by showing them that it is possible to rise above one's circumstances, no matter how dire they are.

Advertising agencies in the Cape Peninsula have experienced several of the above BEE challenges and benefits, but also face challenges that are inherent to the advertising industry. These are identified and discussed in the findings of this BEE study.

The fourth and final possible wave of BEE could be based on the graduation principle. It implies that once the targets of a particular piece of legislation (for example, the BBBEE scorecard) have been attained, then there is no need to proceed with it. Therefore, Black individuals that have profited from BEE would graduate from PDI status to be labelled as economically empowered individuals. However, it would be a complex process to measure exactly when someone should be classified as economically empowered. In business terms, graduation is based on factors such as turnover, asset value, employee numbers and value of BEE deals. Although the graduation principle is desirable, it would be difficult to implement and should be handled with extreme sensitivity, should SA be in the fortunate position to reach this monumental point of BEE transformation (Jack, 2007). A couple of advertising agencies also raised questions relating to the end date of BEE and AA, as well as when PDIs would no longer be classified as disadvantaged.

3.6   Summary

The transformation process in the South African advertising industry has reached a point where companies now have a comprehensive framework on which to base their transformation endeavours. The EE Act, BBBEE Act and BBBEE Codes of Good Practice, as well as the gazetted MAC Transformation Charter have provided Cape Town advertising agencies with quantifiable targets, but the rate at which they go about achieving them, depends on how seriously they view transformation. The primary research aims to uncover the benefits and difficulties that agencies have experienced as they have progressed on their transformation journey.

CHAPTER FOUR
CURRENT STATE OF AFFAIRS

4.1   Introduction

The SA advertising industry has not yet been successfully analysed in terms of in-depth qualitative BEE data since the BBBEE Act was promulgated in 2003, although there have been several failed attempts. Both the BEE Monitor in 2004 and the MAPPP-SETA in 2005 attempted to conduct national surveys to acquire comprehensive BEE-related qualitative data from the advertising industry, with the former failing completely and the latter obtaining limited success. The ACA has quantitatively measured its members' ownership and EE figures for nearly a decade. Criticism has been directed at the failings of BEE (as well as limited praise), and consequently several national quantitative surveys have been commissioned to measure the state of BEE in SA. These have successfully measured the extent of BEE progress and serve as valuable benchmarks for future BEE measurements. Valuable insights were obtained from a Harvard University study that revealed how BEE could become a growth catalyst. Several SA theses have investigated BEE endeavours and the extent of their success in various industries. Much can also be learned from the examination of studies into other countries' transformation experiences.

4.2   Advertising industry research failures

As mentioned in prior text, there have been several attempts to obtain in-depth qualitative data in terms of the advertising industry's BEE progress and other related matters over the past four years. These attempts have either been totally unsuccessful or received an extremely low response rate.

4.2.1   BEE Monitor survey

The BEE Monitor provided a range of professional services, which are designed to accelerate economic and social transformation in SA. It was established in March 2004 as a result of the coalition between the BMF and the University of Cape Town's (UCT) Graduate School and was ultimately formed as a result of the government's parliamentary hearings, which investigated racism in the advertising industry. It embarked on a baseline transformation audit of the entire marketing, media and communications industries in June 2004 (The BEE Monitor, 2004). The BEE Monitor aimed to gather and interpret market industry data pertaining to BEE and to provide best-practise strategies that would be effective in speeding up the transformation process. It intended to develop and establish a transformational index via continuously monitoring and evaluating transformation in the industry (Anon, 2004).

The results of the baseline transformation audit were supposed to be released in October 2004, but no results were forthcoming. Articles in Biz-community, SA's leading advertising, marketing and

media news website, urged members to participate in the BEE Monitor audit, but the audit failed owing to the low participation of the industry (Loxton, 2004). The failure can also be largely attributed to the following: the collection method (the lengthy questionnaire was downloaded from a website), complexity and confidentiality of the questions, the sensitive nature of BEE, lack of incentive, magnitude and complexity of market dynamics, tight timeframes and transformation fatigue within the industry. The researcher learned from the errors of the failed BEE Monitor survey and consequently decided to use personal interviews to gather in-depth qualitative data from each advertising agency. This approach resulted in a hundred percent response rate.

4.2.2   MAPPP-SETA advertising skills needs analysis survey

The MAPPP-SETA established the advertising chamber in July 2004, which consists of industry representative associations and bodies such as CAFÉ, ACA, GCIS and Design SA. The advertising chamber's main concerns were (MAPPP-SETA. 2007b):

- To promote PDIs to enter the industry via an introduction of bridging courses;
- To develop new learnerships and qualifications;
- Conduct research on skills needs; and
- Encourage industry participation.

The advertising chamber identified a need to conduct research on developmental needs within the advertising workplace. Kelello (specialising in skills development and SETA environment) and Mohlaleng (specialising in BEE in the advertising environment) were commissioned to conduct a national advertising skills needs analysis survey on the BEE needs of the industry, recruitment of PDIs, employee profiles, skills needs and retention of employees. Results of the survey were released in November 2005; however, these yielded limited data. Although a comprehensive follow-up strategy was undertaken, a response rate of 7% (40 out of 583 targeted companies in the advertising sector) was achieved. Companies in the advertising sector provided the following reasons for their non-participation in the survey:

- 19% simply gave no reason, other than they would not participate (probably as a result of the confidential nature of the information and reasons listed below);
- 16% maintained that they were not aware of the MAPPP-SETA or were dissatisfied with their SETA interactions;
- 16% cited that they had no interest in participating in the survey;
- 15% highlighted that they no longer resided in the sector;
- 9% asserted that they did not have the time to participate in the survey as a result of deadlines and the stringent demands of clients; and
- 7% of small companies disclosed that they lacked resources, did not have time or could not perceive how the survey would benefit them directly (Kelello Consulting, 2005).

Companies that did respond provided basic and limited data. Therefore, in the light of these responses, the researcher was able to obtain a hundred percent response rate, since any of the abovementioned barriers could have been cited as reasons for non-participation in this BEE study.

The findings that emanated from the forty participating advertising sector companies (eight were from Cape Town, of which half also participated in this BEE study), were limited and primarily focussed on skills needs and training. This revealed the following:

- There was a need to ensure that learners acquired basic foundational skills (for example communication, conflict resolution, computer and numeracy skills) to enter the advertising industry and, therefore, the establishment of foundational training programmes to provide Black individuals with necessary skills, was essential.

- It was imperative that Black talent who embarked on advertising careers should understand how the industry operated, as well as the interrelating components. Therefore, the need for workplace experience as part of the education and training process was identified as essential, as well as implementation of learnerships and internship programmes. However, some participating advertising agencies raised negative experiences in their endeavours to implement MAPPP-SETA learnerships. This issue was also raised by several participating advertising agencies in this BEE study.

- There was a shortage of copywriting and art direction skills, especially in terms of Black creatives, as well as technical skills that included media, digital and strategic-related skills. Career guidance systems directed at PDIs in township schools, as well as improved recruitment and selection processes, were identified as means to solve this problem (Kelello Consulting, 2005).

The findings in this BEE study are in congruence with the above discussion. However, greater depth of information of not having or having skilled Black individuals (in terms of the insights into problems and benefits) and what advertising agencies have done to address the skills shortage in the industry, are revealed in this BEE study.

4.3   ACA Survey

The ACA has voluntarily monitored the progress of its members in terms of major empowerment elements since 1998 and has attained a 100% response rate for their two surveys. The ACA Employee Cost to Agency Survey measures Black employees and the ACA Empowerment Equity Survey measures Black ownership. No survey was conducted in 2005 (the mean figure for 2005 was calculated from the 2004 and 2006 results) or was available for 2007 (when the ACA was contacted in early 2008), but results from the 2006 survey do indicate a positive transformation outlook by member advertising agencies.

4.3.1   Advertising industry's percentage of Black shareholding

The average percentage of Black shareholding in the advertising industry increased from 28.7% in 2004 to 37.6% in 2006, according to Figure 4.1. The average percentage of Black shareholding is held by Black persons and companies across all individual advertising agencies (MAPPP-SETA. 2005). The MAC Transformation Charter set a BBBEE ownership target of 45% by 2014 and the findings of this BEE study reveal the same positive trend in terms of Black ownership growth.
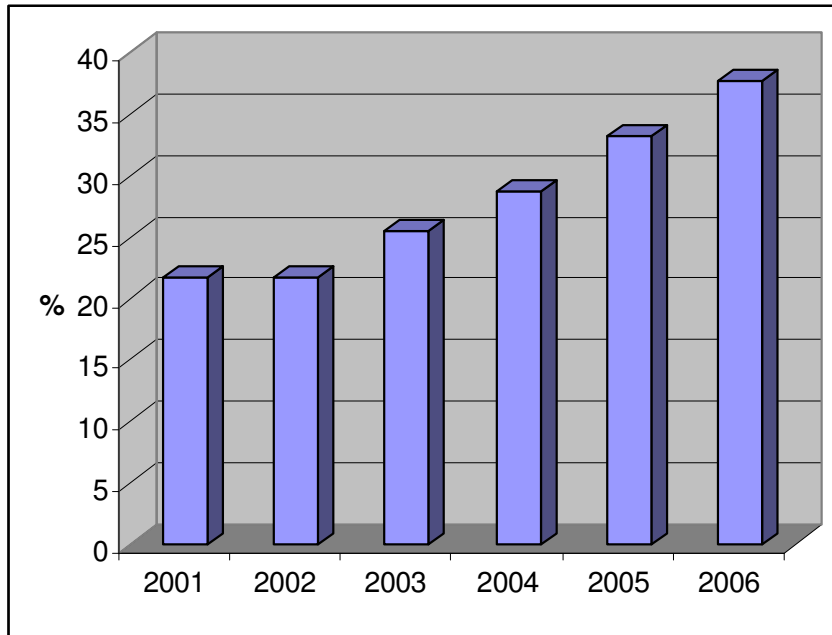
Figure 4.1: Average percentage of Black shareholding

(Adapted from Da Silva, 2006 & MAPPP-SETA, 2005)

4.3.2   Advertising industry's Black shareholding from any source

A little under 76% of ACA member advertising agency groups or individual agencies have BEE shareholding, which is a moderate increase when compared to 70.6% in 2004, according to Figure 4.2. The advertising agency groups or individual advertising agencies that have at least one type of equity participation by Black persons or empowerment companies qualify, as "Black shareholding from any source" (Clayton, 2004).
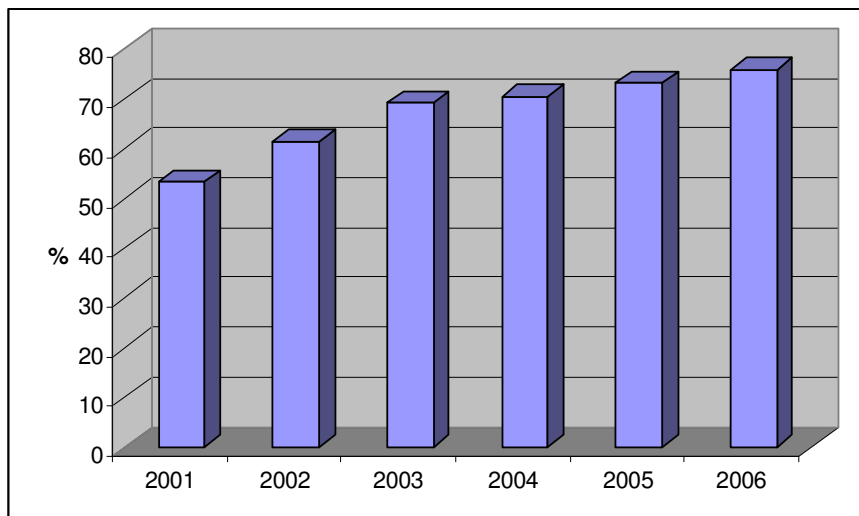
Figure 4.2: Percentage Black shareholding from any source

(Adapted from Da Silva, 2006 & MAPPP-SETA, 2005)

4.3.3   Advertising industry's Black representation

Overall, representation of Black employees increased from 35.2% in 2004 to 40.2% in 2006 of member advertising agencies, according to Figure 4.3.
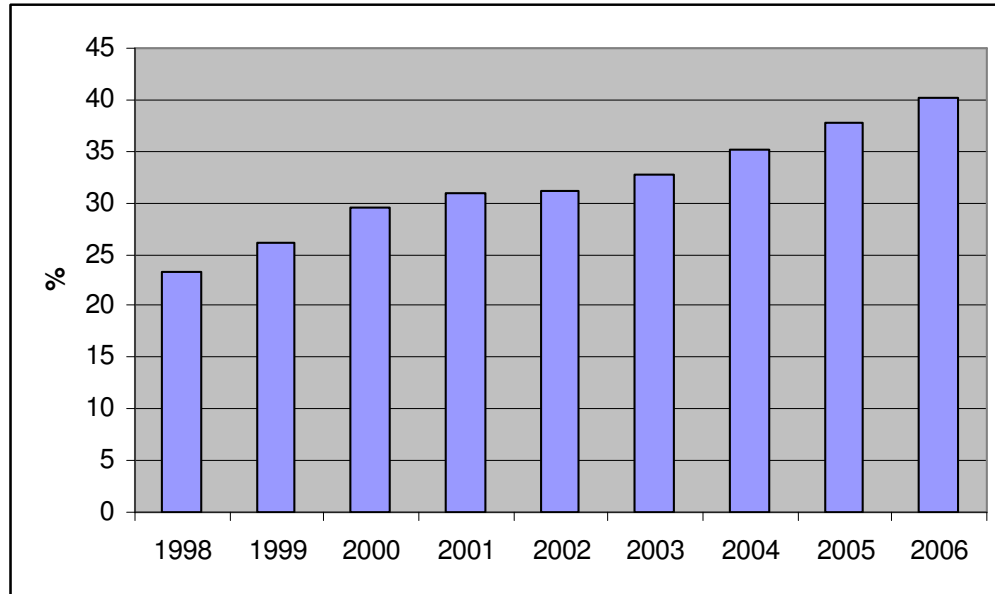
Figure 4.3: Black representation

(Adapted from Da Silva, 2006 & MAPPP-SETA, 2005)

The SA advertising industry has experienced a steady increase in terms of Black employees, but the findings of this BEE study will reveal that the employment pool of talented Black individuals is smaller in Cape Town in comparison to Johannesburg. Competition is fierce to acquire competent Black PDIs' services in the small, but competitive market in the Cape Peninsula.

4.3.4   Advertising industry's Black female employment

The total number of Black females employed in the industry increased from 21% in 2004 to 23.9% in 2006, according to Figure 4.4. The total number of Black females employed in management and professional levels increased from 13.8% in 2004 to 17.7% in 2006. Refer to Figure 4.4 for a graphic illustration of the total number of Black females who are employed in the advertising industry. These low percentages and slow growth clearly portray that the empowerment of women has a long way to go and much criticism has been directed at BEE for this phenomenon. However, in the next couple of years there should be a significant increase of women in senior positions, since the BBBEE scorecards favour advancement of Black females and entice companies with a substantial number of BEE bonus points. Cape Town advertising agencies have emulated the aforesaid national trend in terms of its slow advancement of Black females to senior positions.
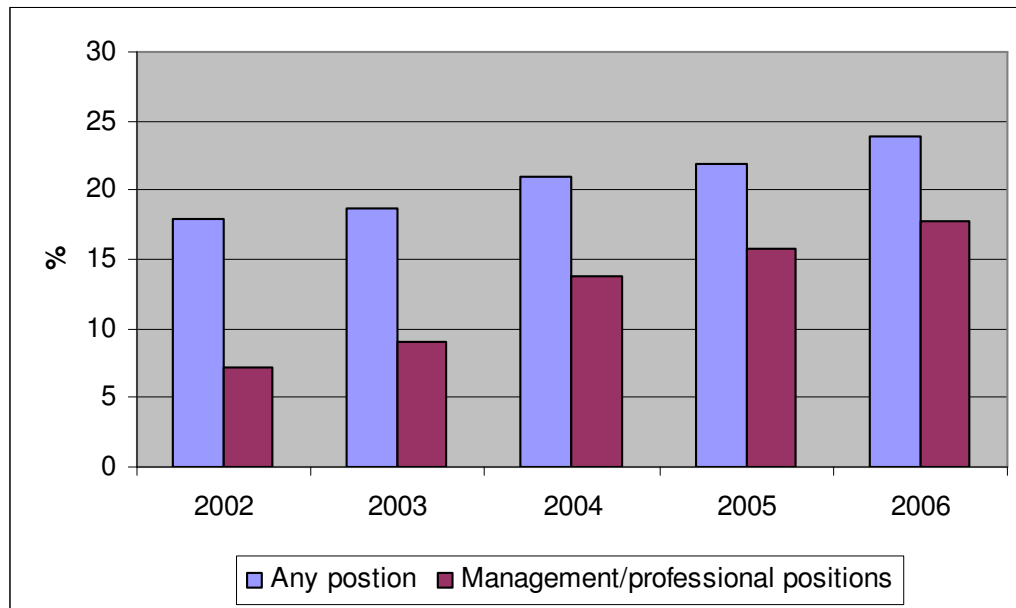
Figure 4.4: Black female employment

(Adapted from Da Silva, 2006 & MAPPP-SETA, 2005)

The findings from this BEE study confirm the results of the ACA surveys and in some instances reflect improved results and indicate that the collective advertising industry is determined to persist and ultimately succeed with its transformation journey, although there will always be individual companies that resist change. However, numerous critics and national research on BEE revealed that certain sectors have not fully embraced transformation, perhaps they also require a parliamentary hearing or two to get the BEE process moving.

4.4 Recent criticism and praise levelled at BEE

There has been a considerable amount of recent criticism directed at South African companies for their slow and/or devious implementation of BEE measures since the gazetting of the BBBEE Codes of Good Practice. Accusations levelled by critics such as Black directors and CEOs, the SA government, journalists and stakeholders across industries, specify that the transformation process still has a long way to go before it is truly broad-based. It is interesting that some of the critics have directed criticism at themselves for the alleged failings of BBBEE.

- Sandile Hlophe, director of KPMG, asserted that several companies had simply adopted the scorecard approach to meet the minimum stipulations of legislation. He felt that this would add no real value to BEE, but was merely a fiddling with figures (Peacock, 2007b:16). He also suggested that BEE had begun to regress and several companies begrudgingly implemented BEE initiatives and, subsequently, did not take the time to fully understand the BBBEE Codes of Good Practice or implement suitable, quantifiable and long-term

BEE measures. He added that the selection of Black partners had been questionable from the start of BEE and that failure to deliver on transformation has led to the increased restlessness of the Black majority for faster implementation (Milazi, 2008a:8).

- Kgomotso Mateseke, head of Actis African Empowerment Fund, believed that the myth of BEE not succeeding owing to a lack of skilled Black individuals, was invalid. He reported that there were several skilled Black professionals, but companies did not want to employ them for fear of being used as a stepping stone. However, Mateseke felt that the right incentive such as giving them equity, would help to solve the problem (Peacock, 2007c:17).

- Emmanuel Lidiga, chairperson of Lagae Securities, asserted that a majority of SA citizens did not have any knowledge of BEE, other than those confined to major cities such as Johannesburg, Cape Town, Durban and PE. He felt that in order for BEE to benefit everyone, it should become comparable to a political vote and concluded by stating: "I don't believe that BEE has reached a stage at which it is a popular movement of economic emancipation" (Mabanga, 2007:6). Khotso Mokhele, the eighth most influential Johannesburg Stock Exchange (JSE) Black director (according to an Empowerdex study), concurred by saying: "I don't believe we will have any democracy to speak of until Black people in SA start to feel they are the architects of this democracy – not just social aspects, but educational and economic aspects as well" (Empowerdex, 2008b:5).

- An empowerment analyst highlighted that over R300 million BEE deals had taken place since 1994, with a large portion involving only a small number of the Black elite and/or politically connected individuals. The analyst divulged that a third of the African National Congress' (ANC) current national executive committee had interests in nearly seventy companies that are worth billions. It makes good business sense for these companies to obtain a piece of the government's revenue, which is 40% of the SA economy's total expenditure. He also revealed how many politicians have and would benefit since Jacob Zuma became president of the ANC (Anon, 2008:1).

- In light of this fact, it is ironical that the ANC decided to hold a forum to review and redefine BEE policies because they felt that it did not promote Black entrepreneurship and only benefited a minority. Some of those that attended the meeting recognised that they had personally benefited, to the detriment of the Black majority and that BEE had widened the divide between the wealthy and the poor. Gumnede, executive chairperson of GijimaAST, explained that BEE policies did not create jobs or Black entrepreneurs, but was traditionally about fronting, obtaining tenders and individuals accumulating wealth (Naidu, 2008:6).

- Mamphela Ramphele, the third most influential JSE Black director (according to an Empowerdex research study), when talking about her most recent book (*Laying Ghosts to Rest*), proclaimed: "one of the subjects it tackles is that we underestimated and failed in the task of transforming the South African society into participatory democracy with a strong

human rights focus. We failed because we dare not acknowledge that we were ill-prepared to govern" (Mtshali, 2008a:3).

- Lindie Engelbrecht, chief executive of the Institute of Directors explained that certain European countries had prescribed boards of listed companies to have 40% to 50% female representation. She asserted that "we are nowhere near there. If we are even up to 20% I would be surprised" (Stewart, 2008b:2). Moemise Motsepe, National Empowerment Fund marketing and communications manager, agrees with the aforesaid sentiments and believes that only a small number of non-executive Black directors have been utilised by the private sector, whereas BEE measures such as AA, have produced a number of suitable candidates that could be appointed onto boards (Milazi, 2008b:4).

However, there are those who advocate that BEE has been successful, given the short time period that companies have had clear guidelines (BBBEE Codes of Good Practice), especially in terms of innovative broad-based ownership BEE schemes and an increased number of Black directorships.

- According to Milazi, a Sunday Times BEE specialist reporter, BEE was narrow-based in the past and only managed to disproportionately benefit a few already wealthy businesspersons, as well as those who are connected to the ruling party. However, after several years of criticism, the government has adopted an innovative broad-based ownership BEE scheme, whereby the Black majority can purchase BEE shares at discounted prices in big corporations. For example, Sasol, Telkom, Multichoice, MTN, Nedbank and Barloworld have all offered BEE shares over the past two to three years (Milazi, 2008c:8). The two major problems with these innovative BBBEE ownership initiatives is that the average person cannot afford the high price of big corporate shares and, secondly, the global financial crisis has resulted in devaluation of these BEE shares, which has created a short-term loss since they were issued (Milazi, 2008d:15).

- An Empowerdex analysis (2008c:7) revealed that the number of JSE Black directorships had risen to 714 in 2008, which is a 48% increment since 2006, whereas the total number of Black female directorships had increased by 80% in the same timeframe. Zondo (2008:2), a Sunday Times reporter, agreed and noted: "SA has made great strides in getting Blacks into boardrooms, giving rise to a number of trailblazers who command influence and power in the corporate sector."

- Engelbrecht also stated: "I think women, in general, are starting to make inroads into the corporate environment in SA. I believe that this is as a result of the realisation that women play an important role in the boardroom and have special skills. I believe women's ability to read people allow them to calm situations down" (Stewart, 2008b:2).

- A survey conducted by the British, Italian and Swedish business chambers (Hazelburst, 2006) stated that only 44% of European companies were positive about BEE, whereas 35% viewed BBBEE ownership as a problem. Several international advertising conglomerates agreed with the sentiments, as revealed in the findings of this BEE study.

It is evident that there are problems with implementation of BEE and the findings of this study will also concur with several of the conclusions, which are drawn by critics. However, at the same time, there has been a fair degree of success, which has benefited the Black majority and is also in congruence with this BEE study's results. Vuyo Jack, CEO of Empowerdex, suggested that the true success of BEE will only be determined when a Black company is able to start a company abroad and handle the pressures of business in any operating situation without the support of BEE legislation. Hlope believes that it will take at least five years before it is possible to measure and ascertain whether the BBBEE scorecard targets were satisfactory. He feels that sufficient time would have passed for the legislation confusion to settle and to receive sufficient feedback on the success of BEE strategy (Peacock, 2007c:17). National quantitative surveys have already (prematurely based on the aforesaid statements) been commissioned by the government and large BEE companies to obtain a true measurement of the state of BEE in SA.

4.5   BBBEE baseline 2007 survey

In August 2006, during a meeting between former president, Thabo Mbeki, and the Presidential Black Business Working Group (PBBWG), it was decided to undertake a baseline survey to determine the state of BEE in SA. DTI, the Presidency and PBBWG commissioned the Consulta Research, which conducted the research in April 2007. A sample of over 1 780 organisations across industries, size and type were selected. The TSC sector (which includes advertising agencies), represented nearly eight percent of the responses (Consulta Research, 2007).

4.5.1   Primary goals of the BBBEE baseline 2007 survey

The primary goals of the BBBEE baseline 2007 survey were:
- To conduct a scientific representative study, which measures the progress of BEE.
- To position the initiative as the first major BEE baseline survey in SA since the gazetting of the BBBEE Codes of Good Practice, although only two months had transpired.
- To be the benchmark for BEE (Consulta Research, 2007).

4.5.2   Key issues of the BBBEE baseline 2007 survey

The BBBEE baseline 2007 survey focussed on three key issues:
- Direct empowerment - Black ownership and management.
- Human resource empowerment - EE and skills development.
- Indirect empowerment - Preferential procurement, enterprise development and corporate social responsibility (Consulta Research, 2007).

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4.5.3   Key findings of the BBBEE baseline 2007 survey

Reported status of BEE progress:
- 38.9% of companies stated that they had no plan or progress.
- Partial progress was reported by 30.2%.
- 19.7% claimed that they had fully implemented BBBEE (Consulta Research, 2007).

Refer to Figure 4.5 for a graphic illustration of the proclaimed BEE progress.
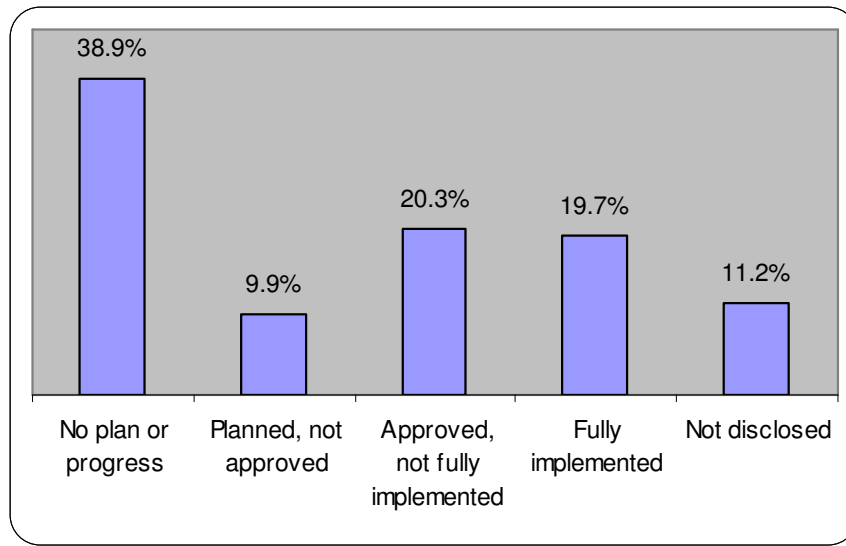
Figure 4.5: Reported BEE progress

(Adapted from Consulta Research, 2007)

Self reported BEE compliance:
- 63.5% of the companies stated that their BBBEE plan was fully implemented, but did not have a formal BBBEE scorecard.
- 24.7% confirmed that they had a formal scorecard.

National BBBEE scorecard:
- Ownership has made the most progress, since companies scored with 60.3% of the weighted target of 25.1% Black ownership.
- Skills development made the second highest progress with 43.8% of the weighted target (3% of payroll).
- EE was the third highest element, which achieved 36.7% of its target.
- Enterprise development was the lowest ranked element, which achieved 12.2% of its weighted target.
- Preferential procurement was the second lowest, which achieved 16.7% of its 70% target (Consulta Research, 2007).

Refer to Table 4.1 for the national BBBEE scorecard summary.

Table 4.1: National BBBEE scorecard

Scorecard element	Weight	Targets	Target % achieved	Score
Ownership	20	25% + 1	60.3%	12.16
Management control	10	40 to 50%	32.4%	3.24
Employment equity	15	43 to 80%	36.7%	5.50
Skills development	15	3% of payroll	43.8%	6.57
Preferential procurement	20	70%	16.7%	3.34
Enterprise development	15	0.375% of turnover	12.2%	1.83
Socio-economic development	5	0.125% of turnover	27.0%	1.35
TOTAL BBBEE SCORE	**100 Points**			**33.89**

(Consulta Research, 2007)

Overall BBBEE compliance:

- The average scorecard points were calculated at 33.89 points, which equated to a level eight contributor, in other words, one level above non-compliant contributor.
- The TSC industry's average score was 31.6 - the fourth highest score compared to other industries (also equating a level eight contributor).
- 78.2% of companies showed no compliance, whereas 10.4% of companies showed excellent compliance (Consulta Research, 2007).

Refer to Figure 4.6 for a summary of the overall BBBEE compliance percentages attained.
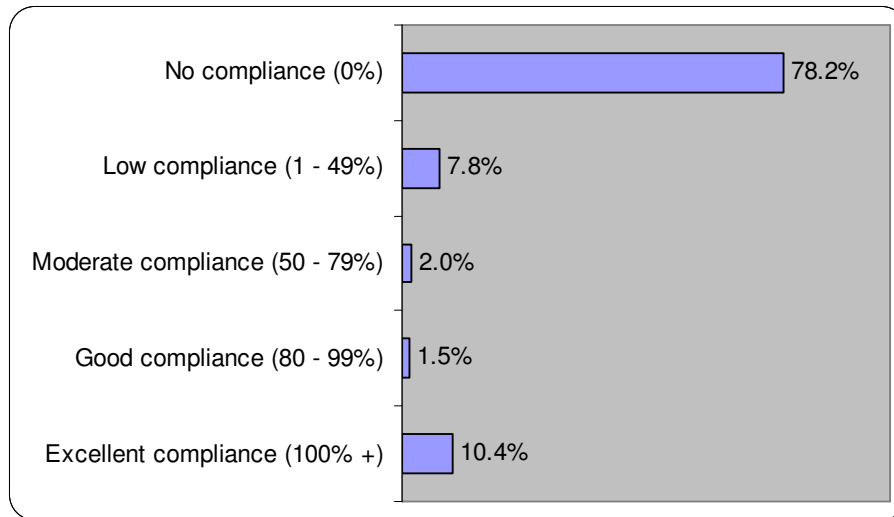
Figure 4.6: Overall BBBEE compliance percentages attained

(Adapted from Consulta Research, 2007)

BBBEE ownership:

- Fair progress had been made (as stated previously, 60.3% of the target was achieved), but this had been largely negated by the fact that a handful of individuals or organisations have benefited from BEE ownership empowerment deals (Consulta Research, 2007).

Refer to Figure 4.7 for overall BBBEE ownership compliance.
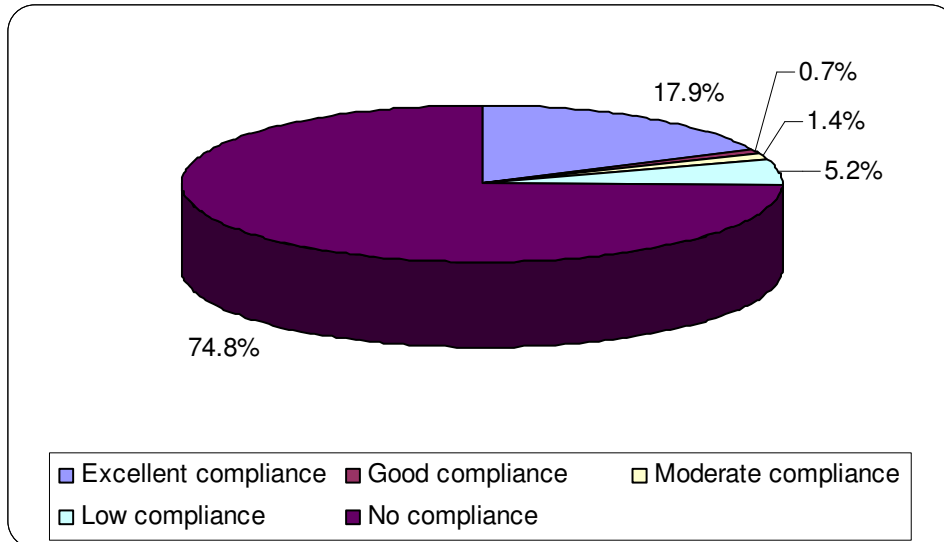
Figure 4.7: Overall BBBEE ownership compliance

(Adapted from Consulta Research, 2007)

BBBEE Employment Equity:

- BEE benefits a small percentage of Black people (Consulta Research, 2007). Slow progress has been made (refer to Figure 4.8) in terms of the Black management target (as stated previously, 36.7% of the target was achieved), but respondents blamed the poor results on difficulties in finding suitably skilled Black employees.

The results in terms of the sluggish progress made in terms of EE are in agreement with the findings of this BEE study and are fully discussed in subsequent sections.
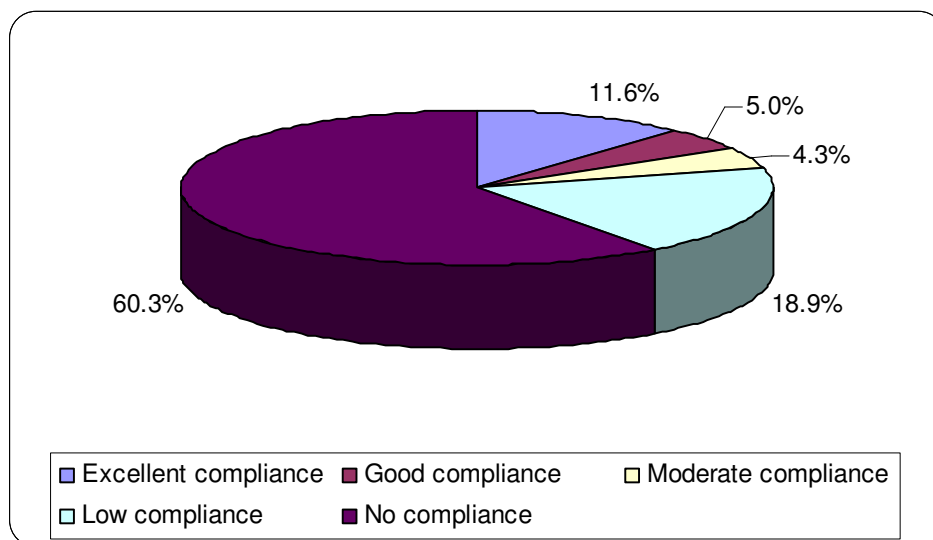
Figure 4.8: Overall BBBEE Employment Equity compliance

(Adapted from Consulta Research, 2007)

The three largest obstacles to BBBEE were identified as

- High turnover of Black people;
- Skills shortage; and
- BEE benefits a small percentage of Black people (Consulta Research, 2007).

The abovementioned obstacles also emerged in the findings of this BEE study.

4.5.4   Conclusions and recommendations

- It can be concluded that organisations have begun the process by implementing the BBBEE elements that provided the most direct benefits (ownership and skills development), whereas the indirect strategy of empowerment was mostly disregarded.
- A widespread lack of understanding was shown, especially by small enterprises.
- It was recommended that BBBEE principles should be more widely communicated in order to address the inclination of companies to direct all of their efforts on elements that were easier to attain (Consulta Research, 2007).

Results of the BBBEE baseline survey painted a bleak picture in terms of the state of BEE in SA and the TSC sector (the score was below the national average score), but only two months had transpired since the gazetting of the BBBEE Codes of Good Practice, which will serve as a framework to direct organisations' BEE initiatives. Therefore, the KPMG BEE survey, which was conducted in 2008, will provide a more accurate reflection of the BEE situation in SA and the TSC sector.

4.6   KPMG BEE 2008 survey

KPMG conducted a survey on BEE transformation progress to coincide with the conclusion of the transitional phase for the measurement of the BBBEE Codes of Good Practice in August 2008 (KPMG, 2008). A sample of five hundred companies across industries, size and type were selected, while the TSC sector represented over a quarter (26%) of the responses.

4.6.1   Primary objectives of the KPMG BEE 2008 survey

Primary objectives of the study were:
- To examine the progress that SA companies have made regarding implementation of the BBBEE scorecard elements.
- To understand what implications government monitoring has had on BEE initiatives.
- To provide SA companies with a BEE benchmark in terms of their competitors by sector, organisation size and type (KPMG, 2008).

4.6.2   Significant findings of the KPMG BEE 2008 survey

The KPMG BEE 2008 survey revealed findings that were largely in congruence with the results of this BEE study. BBBEE elements that have been prioritised for implementation and improvement are listed below.

- Preferential procurement was identified as the highest priority for improvement, while the absence of accredited verification agencies was the largest obstacle.
- EE and skills development also featured prominently, but the acquisition and retention of skilled Black individuals was identified as the largest challenge (KPMG, 2008). This finding was also in agreement with the BBBEE baseline 2007 survey.

Both of the challenges above also emerged in the findings of this BEE study.

4.6.2.1 National BBBEE scorecards

The findings of the KPMG BEE 2008 survey scorecard resulted in some interesting findings when compared to the KPMG BEE 2007 survey and BBBEE baseline 2007 survey scorecards.

- Ownership had shown a steady decrease across the national scorecards and could mainly be attributed to the more rigorous requirements of the BBBEE Codes of Good Practice that were gazetted in February 2007. This BBBEE element showed the most progress in the baseline 2007 survey, but is the third lowest in the KPMG BEE 2008 survey.
- Management's control score was low in the BBBEE baseline 2007 survey, but also showed a decrease when compared to the KPMG BEE surveys' 2007 and 2008 scores. This can be largely attributed to the adjusted gender recognition (ARG) principle (a minimum score for Black female must be achieved before any BEE points count) in the BBBEE Codes of Good Practice that compels organisations to increase Black female representation at senior management level.
- EE was the third highest ranked element in the BBBEE baseline 2007 survey, but was now the lowest, since organisations achieved 34% of the target. There was a minor drop between the 2007 and 2008 scores in the KPMG BEE surveys, but the primary reason for the low ranking must certainly be as a result of the steady progress made in other BBBEE elements and commencement of the ARG principle.
- Skills development had shown the second highest progress in the BBBEE baseline 2007 survey, but displayed a decline and was the second lowest element in the KPMG BEE 2008 survey. This was certainly a consequence of the introduction of the ARG principle that effectively penalised organisations that did not have adequate Black female representation.
- Preferential procurement's score was low in the BBBEE baseline 2007 survey, but also showed a decrease when compared to the KPMG BEE surveys' 2007 and 2008 scores. This can be accredited to the fact that most companies are now requesting independently verified BBBEE scorecards from their suppliers.

- Enterprise development was the lowest ranked BBBEE element in the BBBEE baseline 2007 survey, but has shown a steady improvement and was the third highest ranked element in the KPMG BEE 2008 survey. This is encouraging since SMMEs are essential to attain economic growth and to increase employment in the SMME sector.

- Socio-economic development has made major progress since the 2007 surveys and was the highest ranked BBBEE element in the KPMG BEE 2008 survey. Socio-economic development has been made a priority by organisations, which demonstrates their commitment to make a difference within communities (Consulta research, 2007 & KPMG, 2008).

- Overall BBBEE compliance in terms of the average BBBEE scorecard points involve the following: baseline 2007 survey - 33.89 points (level eight contributor), KPMG BEE 2007 survey - 51.7 points (level six contributor) and 2008 KPMG BEE survey - 46 points (level six contributor).

Refer to Table 4.2 for a summary of the KPMG BEE surveys of 2007 and 2008, TSC sector (the researcher calculated scores from the KPMG BEE 2008 survey graphs, therefore, the figures are not exact, but provide reasonable ballpark figures) and BBBEE baseline 2007 survey scores.

Table 4.2: National BBBEE scores and target percentages achieved for all sectors and TSC sector

Scorecard element	Weight	Baseline 2007	KPMG 2007	KPMG 2008	TSC sector KPMG 2008
Ownership	20	12.1 (60.3%)	10.8 (54%)	8.5 (42.5%)	± 12.4 (62%)
Management control	10	3.24 (32.4%)	7.7 (77%)	6.2 (62%)	± 6.5 (65%)
Employment equity	15	5.50 (36.7%)	5.4 (36%)	5.1 (34%)	± 6.4 (42.7%)
Skills development	15	6.57 (43.8%)	7.8 (52%)	5.7 (38%)	± 6.5 (43.3%)
Preferential procurement	20	3.34 (16.7%)	10.8 (54%)	8.6 (43%)	± 12.1 (60.5%)
Enterprise development	15	1.83 (12.2%)	6.0 (40%)	7.9 (52.7%)	± 11.0 (73.3%)
Socio-economic development	5	1.35 (27%)	3.2 (64%)	4.0 (80%)	± 4.6 (92%)
TOTAL BBBEE SCORE	**100**	**33.89**	**51.7**	**46**	**± 59.5**

(Adapted from Consulta research, 2007 & KPMG, 2008)

4.6.2.2 TSC sector versus national BBBEE scorecards

The TSC sector average score was 31.6 (below the national average) in the baseline 2007 survey and nearly doubled in the KPMG BEE 2008 survey to just under 60 points (level five contributor), but remained the fourth highest ranked sector, which shows that other sectors have also made steady progress, whereas others have regressed for the overall BBBEE scorecard to have declined by nearly six points (KPMG, 2008). Refer to Figure 4.9 for a graphic illustration, which compares the TSC sector overall scores versus the national overall BBBEE scores achieved for all sectors and across the three surveys. It displays that the TSC sector is well ahead of the national average.
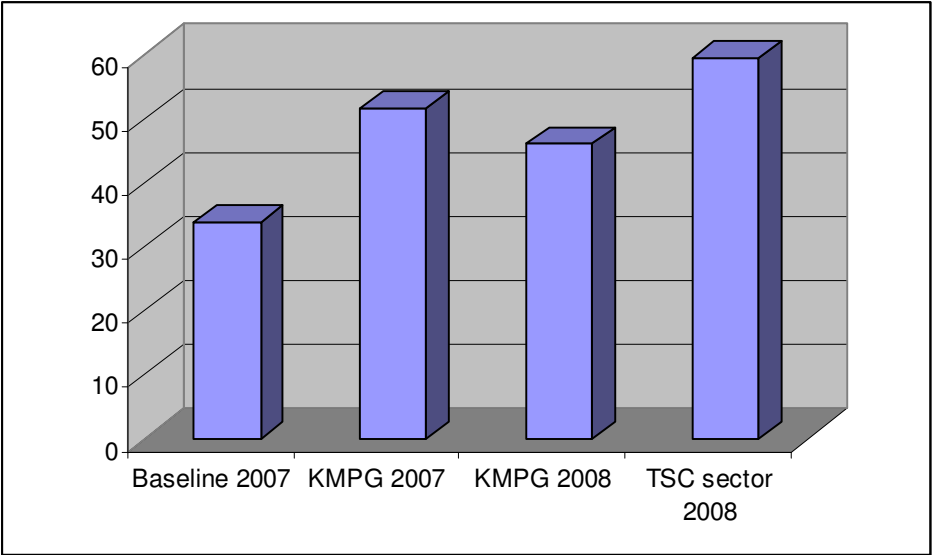
Figure 4.9: Overall EE TSC sector scores versus national BBBEE scores

(Adapted from Consulta research, 2007 & KPMG, 2008)

Unlike the results in the baseline 2007 survey, the TSC sector was above the national average scores for all seven BBBEE elements. Refer to Figure 4.10 for a comparison of TSC sector scores versus national BBBEE scores in terms of ownership and EE across surveys.
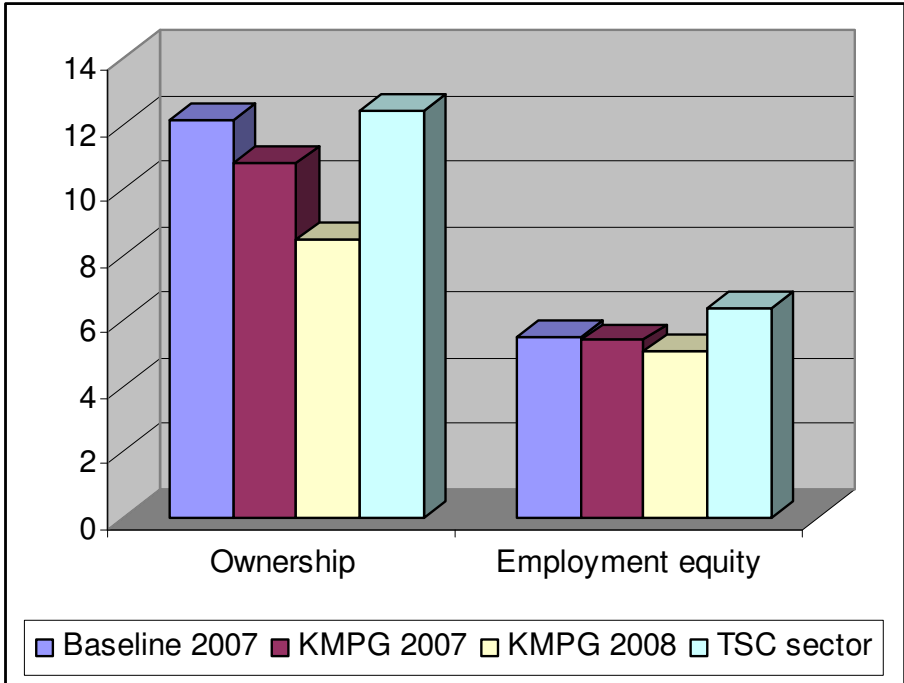
Figure 4.10: Ownership and EE TSC sector scores versus national BBBEE scores

(Adapted from Consulta research, 2007 & KPMG, 2008)

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4.6.2.3 Reasons for differences between BEE surveys

Primary reasons for the vast differences between some of the KPMG BEE surveys and BBBEE baseline 2007 survey scores can be attributed to the following:

- The BBBEE baseline 2007 survey sample size was nearly four times the size when compared to the KPMG BEE survey's sample size of five hundred companies.
- The BBBEE baseline 2007 survey included a broader range of organisations (JSE listed, private, public and Section 21 companies, close corporations, trusts, sole proprietors and so on), whereas the KPMG BEE surveys mainly included JSE listed, multinationals and unlisted entities.
- The KPMG BEE survey was conducted four months after (in August 2007) the BBBEE baseline survey in April 2007 (Consulta research, 2007 and KPMG, 2008).

The KPMG BEE 2008 survey findings provide a more accurate reflection of the true BEE state in SA in comparison to the 2007 surveys, not only because it is more recent, but owing to the fact that organisations had a full year to implement BEE measures and could strive to attain targets, which were set in the generic scorecard as per the BBBEE Codes of Practice that were gazetted in February 2007.

4.6.2.4 BBBEE scorecard computation (self-assessment versus independent verification)

One third of respondents calculated their own BBBEE scorecards, whereas the remainder utilised an independent BEE verification agent. The main reason that respondents choose to complete their own BBBEE scorecards was owing to the fact that no BEE verification agencies had yet been accredited. Independent verification is not mandatory, but recommended by the BBBEE Codes of Good Practice in Paragraph 10.1 of Code 000 (SA. DTI, 2007b). Organisations are likely to seek independent verification once SANAS accredits the first BEE verification agencies (KPMG, 2008).

4.6.2.5 BEE targets and plans

Organisations aimed to be level four contributors by 2010 (the TSC sector had already achieved this target), level three by 2012 and level two by 2017. Respondents believed that BEE targets could be achieved by linking BEE compliance rewards and non-compliance penalties to senior management key performance indicators, contracts/scorecards and incentive schemes, as well as to preferential procurement criteria (KPMG, 2008).

The main challenges identified in implementing BEE were in congruence with the BBBEE baseline 2007 survey and are as follows:

- A scarcity of skills and difficulties in the retention of Black PDIs.
- Suppliers that did not understand BBBEE were not transformed, and did not have independently verified BEE credentials.
- The fact that industry charters were not aligned to the BBBEE Codes of Good Practice.

The three most challenging BBBEE elements to implement, according to the respondents (KPMG, 2008), were ownership (22%), management control (20%) and EE (18.5%) (KPMG, 2008).

4.6.3 KPMG BEE 2008 survey conclusion

The survey also coincided with xenophobic attacks and trade union protests that stipulated that government should reduce high transport and energy food prices. These occurrences demonstrate that more emphasis should be placed on growth of SMMEs, socio-economic development programmes and EE in order to create economic opportunities and tangible income, especially for the most disadvantaged Black majority. Findings in terms of BEE progress regression, in some sectors, do not bode well for significant equitable monetary opportunities for all South Africans (KPMG, 2008), but at least some sectors have made significant headway on all fronts (such as the TSC sector). Results of the KPMG 2008 survey will be compared to and used to validate the findings of this BEE study.

4.7 Harvard research study

Matthew Andrews, a professor at Harvard University, and a panel of economists, conducted research (for the SA government as part of an International Growth Initiative) to establish whether BEE was a growth catalyst. The research was based on the following proposition: "transformation and growth require change in economic structures; that the same BEE-induced changes will work for both goals. However, some observe that BEE does not effect change, which raises a counter proposition that BEE will not catalyse growth" (Andrew, 2008).

The sample size consisted of twenty-five JSE-listed companies and only secondary data was collected and utilised in the form of annual reports, financial statements, websites and public documents. A time constraint was cited as a reason for no primary research. This research approach was definitely not representative, but nevertheless revealed some significant observations, while structured interviews were recommended as the next step. The main finding was that although companies adhered to BEE stipulations, they were doing so within a stationary structural environment and, therefore, turned to established networks for solutions, which, in turn, restricted the number of BEE beneficiaries. However, companies that did establish vertical connections created the capability to overcome the network divide, which resulted in carefully screened (when recruiting) and trained Black talent, job creation and new ventures (Andrew, 2007).

Andrews (2007) made the following recommendations to improve BEE as a growth catalyst:
- The government should increase the number of BEE points allotted to companies that enter into deals with new BEE entrants. This is a good idea and would reduce the problem of only a limited number of Black elite benefiting from BEE repeatedly.

- The government should build the lower end of the market to ensure that Black individuals move up the ranks of companies to grow the pool of talent, instead of primarily placing emphasis on EE issues at management level. This is also a valuable suggestion and would benefit several advertising agencies that are already doing this.
- The government should alter BEE policy to benefit the lower to middle Black majority. It should reward companies that employ Black PDIs that were previously unemployed and/or provide training for them, by allocating additional BEE points. There is an individual advertising agency that has embarked on an initiative that provides hundreds of unemployed with work, but yet it does not receive BEE recognition for this genuine act of transformation.

4.8   BEE theses

A diminutive number of theses, all completed in 2007, examined BEE activities and degrees of success in several SA industries; these include engineering, mining and tourism. The main findings and recommendations will be briefly discussed and linked to the SA advertising industry.

4.8.1   Manufacturing and engineering industry BEE thesis

Sherwood (2007:1-2) investigated effects and consequences of BBBEE on the SA manufacturing and engineering industry. The hypothesis of the thesis suggested that SA manufacturing and engineering companies were not able to compete globally owing to the burden of BEE. It also proposed that BEE was simply another name for AA, also with unrealistic, unachievable targets in an industry, which has a skills shortage that had reached crisis proportions in the manufacturing and engineering industry. It was felt that advancement of Black individuals would occur automatically as the industry expanded; as would skills development to ensure long-term sustainability.

The research instrument comprised of a questionnaire, which comprised of seventy-five questions in the form of a Likert scale and the sample consisted of two hundred and fifty employees in middle and senior management positions that all worked for manufacturing and engineering companies. A response from thirty-six (14.4%) employees was received (Sherwood, 2007:51-52).

Sherwood (2007:84) maintained that the industry would not cooperate with government, since BEE was perceived as a redistribution of wealth mechanism, but would cooperate if viewed as a Black development tool. Government needed to adjust their stance on BEE in order for this to happen, but change would take too long without government intervention. The author also divulged that most perceived BEE to be the same as AA and that the BBBEE scorecard was considered to be complicated and illogical. The fast-tracking of Black managers would result in poorer efficiency and service delivery. Skills development was identified as the only solution to this problem.

Sherwood (2007:85-86) made the following recommendations based on the findings of his study:

- Abolish the BBBEE scorecard, but instead let each organisation create and be measured against their own plan. Government would still manage the process, but should remove restrictive targets. This suggestion is completely impractical and would result in total chaos in terms of controlling and monitoring BEE.
- Equity ownership should also be removed from the BBBEE scorecard as it results in resistance; rather focus should be on following a logical sequence, namely starting with skills development (for example, by reintroducing apprenticeships), then proceeding with EE and finally with management. Again, this recommendation is unreasonable. Although there has been a problem with this BBBEE element, since it benefited a small number of people, new BEE share schemes have become increasingly broad-based. However, the researcher believes that apprenticeships (learnerships and internships) are an effective means to develop skills in all industries.
- BEE should be marketed to promote the process as being mutually beneficial, while the perception of BEE could be altered by changing the name to "Black development". The researcher is of the opinion that the name would not make any difference whether BEE will be implemented or not.

In conclusion, Sherwood (2007:97) felt that BEE policies should place greater emphasis on skills development, but not eliminate all AA policies as he had originally predicted. Recommendations from this BEE study were predominantly unrealistic, with the exception of the introduction of apprenticeships to advance skills development.

4.8.2 Mining industry BEE thesis

Fauconnier (2007:1-2) examined challenges and problems that Exxaro Limited (co-owned by Anglo America, IDC, BEE Holdco, Exxaro and minority groups) encountered upon establishment of the largest SA Black-owned and -managed mining entity in November 2006. Semi-structured open-ended interviews were conducted with eleven leaders and decision-makers who were involved in the formation of Exxaro Limited to obtain in-depth information (Fauconnier, 2007:81).

The study identified and discussed a range of challenges that new BEE deals face, and provided a list of recommendations (Fauconnier, 2007:153-164), which are mentioned below.

- BEE partner selection - selection of the most suitable BEE partner(s) is a major challenge and, generally, those that provide the greatest value for the smallest amount of strategic, financial and operational risk, are utilised. Companies in the mining industry tend to use the same group of Black elite, most of whom are politically connected to obtain mining rights and licences. In recent times, greater emphasis has been placed on broad-based empowerment partners; however, certain criteria are used to evaluate potential BEE

partners such as their understanding of and commitment towards the industry, transparency and empowerment credentials. Several advertising agencies also emphasised the importance of choosing the right BEE partner and used similar criteria to evaluate them.

- Female empowerment – in recent times there has been an increase of females participating in BEE transactions, however, there are not many women groups with adequate experience and expertise, especially in the mining industry. The advertising industry appears to have the same problem.

- Alignment of interests – several potentially detrimental views exist in any BEE deal such as companies that seek BEE compliance as opposed to a strategic viewpoint or Black partners that seek rapid short term gains. These problems and several more were also identified in the advertising industry. Therefore, it is essential to attempt to gain a clear understanding of the expectations and perceptions of all stakeholders involved in a BEE deal, as success depends on the ability of all parties to develop trust and to promote collaboration.

- Merging cultures - companies will succeed if they promote broad-based empowerment of all their employees, but integrating different cultures, operations and people is complex and requires substantial effort. The challenge is to find common ground between companies' values of sustainability and BEE partners' values of community and social upliftment. A full cultural transformation programme is necessary to obtain the true value of BEE. Advertising agencies differ from the mining industry, since they use this cultural diversity to produce more effective work, which will reach SA's diverse target markets.

- Legislative prerequisites – there was a fair degree of ambiguity and uncertainty pertaining to BEE legislation and the Mining Charter. As a result, companies needed to spend a considerable deal of time familiarising themselves with BEE to ensure proper compliance. The findings from the advertising industry were almost identical.

In conclusion, it was reported that the findings and recommendations would assist companies to address the challenges, especially in the mining industry, but that further studies should be conducted on BEE transactions in other industries. The findings and recommendations are in complete agreement with this BEE study and will be expanded upon in later text. The mandate to conduct studies in other industries has also been fulfilled by this BEE study, in other words, the investigation of the advertising industry's BEE challenges and benefits.

4.8.3   Tourism industry BEE thesis

Siyengo (2007:1-2) explored the pace, success and challenges of BEE in the Western Cape tourism industry. The research instrument comprised of a structured questionnaire with twenty questions that were used to collect both qualitative and quantitative data via face-to-face interviews. The sample included twenty-five companies from the tourism industry (tour operators, restaurants, guest houses, bed & breakfasts and hotels) that were selected from the Cape Town Routes

Unlimited's (CTRU) database. A response rate of 80% was obtained, while five foreign-owned restaurants refused to participate in the study, mostly owing to a lack of interest in BEE (Siyengo, 2007:22-23). Several internationally owned advertising agencies were also the most difficult participants to either obtain appointments with or to acquire documentary evidence for this BEE study.

The study made some interesting discoveries and discussed challenges that the tourism industry faced in their pursuit of BEE, and provided a list of recommendations (Siyengo, 2007:45-51), which are discussed below.

- A majority of tourism stakeholders were positive about BEE and showed a willingness to transform, but little real progress had been made and this was confirmed by the fact that only a few were well informed about their company's own BEE endeavours.
- Tourism stakeholders believed that it was essential to meet the expectations of the foreign visitors to maintain market share, so although BEE was essential, it should not be allowed to jeopardise the competitiveness of tourism in the Western Cape.
- The BBBEE scorecards were complex and several tourism entrepreneurs had difficulty understanding them. It was suggested that the scorecards should be simplified and more effectively communicated to all applicable stakeholders. The complexity and ambiguity of the scorecards were raised in all of the aforementioned theses and several advertising agencies agreed with these sentiments.
- A lack of skills and experienced Black PDIs were also found to hinder BEE in the Western Cape tourism sector, although it was bigger and more advanced than other regions in SA. It was found that companies from other regions poached experienced staff from the Western Cape. It was proposed that both formal training and informal programmes (such as mentors and management coaching) were required to alleviate the skills shortage. Skills shortage and staff poaching is in total agreement with the findings of this BEE study.

In conclusion, it was felt that training efforts should be increased to address the skills shortage, but it should be accepted that the pace of transformation would, therefore, be below the hopes and expectations of government until this challenge could be adequately addressed. The government was not of the same opinion when it brought the advertising industry to the parliamentary hearings.

4.9   Transformation programmes in other countries

BEE is completely unique to SA, but several countries have also implemented transformation measures to address inequities of the past. Countries that most closely resemble SA's BBBEE strategy are Malaysia and India and several lessons can be learned from their successes and failures. Other countries have also implemented particular employment-related elements, several of which closely resemble SA's AA policy.

4.9.1   Malaysia

Malaysia shares an analogous past with SA, since it also needed to address domination from a minority group after it gained independence from Britain in 1957. It faced the challenge of redressing economic inequalities between the Malays and Chinese (Mandla, 2006:9). Southall (1997:3) reported that the Malaysian population consisted of Malays (49.8%), Chinese (37.2%) and Indians (11.3%). This population diversity, not unlike SA, has major cultural differences in terms of language, religion, education and social, as well as economic perceptions and world views (Abdullah, 1997:192).

Malaysia's New Economic Policy (NEP) was an ambitious twenty-year plan (1971-1990), which was created by the Malaysian government to address inequities of the past by redistributing wealth and eliminating poverty (Case, 1995:95). The NEP closely resembled BEE, since it predominantly focused on economic growth by setting long-term targets for Malay ownership, education, eliminating race identification, according to economic activity, and promoting equal opportunities for employment in an endeavour to replicate the country's demographics (Athukorala and Menon, 1999:1119-1123).

- Malay share ownership - the NEP set a target of 30% of Malay equity ownership by 1990. The Malay estimated equity ownership was 2.4% in 1970, Chinese 33.8%, Indians 0.8%, while 63% was held by foreign companies (Klitgaard & Katz, 1983:335). The new ratio of equity ownership was set at 30% for Malays, 40% for non-Malays (mainly Chinese) and 30% for foreigners (Searl, 1999:67).

- Education was a primary focus of the NEP and, therefore, aimed to establish an educational system to advance Malays; consequently, considerable amounts were spent on education over the twenty-year period. Education was regarded as a vehicle to promote social mobility in modern economies and a way to achieve equal opportunities for all in order to promote national identity (Faaland, Parkinson & Saniman, 1990:58). A quota system was implemented, which stipulated that 55% of university enrolments should be Malays. The increase of Malays in higher education was considered to be essential for skills development and employment (Mandla, 2006:22).

- Employment and eliminating race identification according to economic activity (the Malays were stereotyped as farmers and unskilled labourers) - education, by itself, was insufficient to remove identification of race according to economic activity, and also required the creation of jobs (Emsley, 1996:43). The NEP set a target to change the racial representation across all occupation categories in order to match the country's demographics by 1990 (Takashi, 1997: 213). Chinese made up 60% of all employees in the secondary or industrial sectors and held a majority of professional, technical and managerial positions in the late 1960s, whereas 75% of Malays worked as unskilled employees, predominantly in the agriculture industry (Emsely 1996:36).

Results, successes and failures of the NEP are outlined below.

- The NEP was largely successful at decreasing poverty among the Malays, but at the expense of increasing intra-Malay inequality. Class differences appeared and individuals close to the ruling party benefited the most from the NEP, which ultimately culminated in a major political crisis (Roslan, 1996). This result is a mirror image of what has happened and continues to happen in SA in terms of its BEE strategy.

- The bridge between poor and rich Malays increased and several sold their opportunities (licences and contracts) to wealthy Chinese. Malays who had connections with government quotas and incentive schemes also obtained preferential treatment (Mandla, 2006:78-79). Again SA is mimicking what has happened in Malaysia.

- Malaysia experienced a high economic growth rate (8.3% per annum) during the NEP period, but primarily as a result of favourable global conditions (Hart, 1994:48). The Malay equity ownership grew from 2.4% in 1970 to 20.3% in 1990 (Searl, 1999:67). In recent times, SA has also experienced reasonable economic growth, but this has begun to decline with the global financial crisis.

- In the late 1960s the Malay enrolment in higher education was only 25%, whereas by 1985 it had climbed to 79%, which was far more reflective of the nation's demographics (Tzannatos, 1991:184). An emphasis on education began producing Malay engineers, lawyers and doctors, which helped to reduce racial identification according to economic activity. Consequently the Malaysian government relaxed its quota system in 1990. The enrolment of PDIs at SA universities had also increased since 1994, but the same degree of emphasis has not been placed on education by the SA government.

- Employment of Malays increased to 50% in the manufacturing sector and 64% in technical and skilled positions, but this occurred mainly at the lower levels and only accounted for 26% of professional and managerial employees. Therefore, inequities have continued even though some progress was made by the NEP (Mandla, 2006:26-27). This result is completely comparable to the SA situation.

The National Development Policy (NDP) replaced the NEP in 1991 and intended to create wealth instead of redistributing it. Ethnic policies and work permits for foreigners were eased, while entrepreneurship, managerial expertise and skills development were implemented to address the intra-racial divisions. Economic growth provided means for transformation and SMMEs emerged. Simply stated, during economic growth, companies are more prepared and able to implement new policies and to increase EE, whereas the converse is true in recessionary periods (Athukorala and Menon, 1999:1122-1123). Therefore, it is essential that the SA economy should also grow in order for BEE to work and subsequently only limited success has been reached at reducing poverty amongst the Black majority.

Other lessons that SA can learn from Malaysia's experience (Mandla, 2006:76-79) include the following:

- The SA government should recognise that education was critical to empower the Malays, but BEE has not been directly connected to higher education and, therefore, will not succeed in uplifting the Black majority unless this issue is addressed in the near future.
- The SA government should allocate vast resources to Black-owned SMMEs, instead of favouring big business interests in order to ensure sustainable BEE and an effortless transition of Black entrepreneurs to bigger companies.

The Malaysian experience teaches SA that broad-based economic participation of the Black majority can be guaranteed if it directs its efforts towards education, employment and ownership.

4.9.2 India

India also faced several challenges when they gained independence from British rule in 1947. India (like SA) is a diverse country in terms of social, religion, economic, language and other cultural dimensions. The new democracy promised economic, social and political justice and the new Indian constitution made provision for dealing with historical inequities and certain underprivileged groups. The government aimed to improve education, provide equal opportunities and raise basic living standards. Religious, class, race and gender discrimination were rendered criminal offences under the new constitution. The Indian government also implemented legal and institutional measures to promote participation of previously disadvantaged persons in the economy (especially in terms of employment and education) to be reflective of the population's demographics (Jodhka, 2006 & Mahajan, 2000). The following successes and failures resulted.

- India has accomplished much since independence by implementing domestic economic reforms to reduce bureaucracy and obstacles to trade, as well as improvements in infrastructure, which resulted in the emergence of a substantial middle class group. Its tertiary education produces two and a half million graduates per annum; it has an independent legal system and healthy political relations with the West (Ninian, 2006). India is the biggest democracy with a population of just over one million one hundred thousand and is the twelfth largest global economy whose growth is only surpassed by China (Koenderman, 2008h:10).
- However, there are problems with a large democracy, which is similar to SA's present situation. There is a huge and growing disparity between the poor masses and the wealthy minority, with India's GDP per capita revealing that a majority of the population are amongst the poorest in the world in spite of their large economy (Koenderman, 2008h:10). Public health has shown little or no improvement for the masses of rural and urban poor, whereas good quality health care is readily available to the wealthy and urban middle class in the form of costly private hospitals (Baru, 1998). The same phenomenon occurred with

India's school education system, since quality education was available via expensive private schools and inter-regional and -gender disparities persist in the public schooling system (Jodhka, 2006).

- India's success in empowering masses of rural poor and development of power, transport, telecommunications and healthcare infrastructure, will ultimately decide the degree to which it will become a global force and the speed at which this will happen (Ninian, 2006).

India and SA share several similarities since they are both developing countries with emerging economies, are culturally diverse, have an emerging middle class and the same agenda to eradicate historical inequities and empower PDIs (Fauconnier, 2007: 78-79). Both countries are attempting to use diversity as a means to advance economic progress and raise their citizens' general standard of living, hence the Indian and SA governments could and should attempt to learn from each other's successes and failures.

4.9.3 Other countries

Several other countries have also implemented transformation elements that closely resemble SA's AA policy. Although a majority of these countries' initiatives address discrimination of minorities, the converse is true for SA. Nevertheless, their experiences offer some value (Nel *et al.*, 2004).

- United States of America (USA) was the first country to implement AA and anti-discriminatory legislation in the early 1960s. Although the USA does not have targets, companies are required to meet goals that are realistic and flexible. The focus on AA was directed at promoting equal employment opportunities generally at lower positions, but not at management levels (Charlton & van Niekerk, 1994).
- Namibia's legislation on AA is similar to SA's, but appears to be more realistic and practical. The Namibian government based its AA on the following principles:
    - o The objective of AA is to promote equal employment opportunities;
    - o AA target groups include disadvantaged Namibian groups, Blacks, women and persons who have disabilities;
    - o Employment measures that require hiring unqualified persons are deemed to be unacceptable;
    - o Preferential treatment under AA must only be given to aptly qualified individuals, but benefit the least well off persons from applicable target groups;
    - o AA should not be used as the only instrument for employment of those who are not members of designated groups; and
    - o AA covers both public and private sectors (Namibia. Ministry of Labour, 1995).

SA should thoroughly examine these principles, as well as the positive effects that they have in terms of EE in Namibia.

- South East Asian countries commenced with their radical economic turnaround from a much lower level of industrial development than SA. A large number of their population had also never participated in the global economy, yet they have completely surpassed SA in terms of engineering and manufacturing high-tech products. These countries' massive economic growth was primarily based on two simple strategies, namely technological innovation and significantly raising education levels in business, as well as in skills development.

SA should learn from these countries' mistakes and successes. Consequently SA, should advance the following elements on a considerably larger scale: education, skills development, equal employment opportunities and wealth creation (for example, via SMMEs and strong economic growth) if sustainable BEE and meaningful empowerment of those PDIs that genuinely need it, should transpire by 2014.

4.10   Summary

Several attempts to uncover comprehensive information on the advertising industry's progress in terms of BEE have failed, but the ACA has been successful in measuring the same two quantitative BBBEE elements under the spotlight in this BEE study, namely ownership and EE. BEE has been criticised for its misgivings and commended for its progress in recent years. A couple of national quantitative surveys have revealed that progress has been made in terms of some BBBEE elements, whereas others have faltered. Important views on BEE were obtained from a Harvard University study, as well as valuable data from other theses that examined BEE progress and challenges across several industries within SA. The SA government and advertising agencies can also learn from other countries in terms of what has worked to promote real transformation, while they should also take cognisance of challenges and benefits raised by BEE stakeholders. All of the aforementioned research is used to substantiate the findings and to bolster the discussion of this BEE study that has investigated transformation progress in the Cape Peninsula advertising industry.

CHAPTER FIVE
PLANNING OF THE EMPIRICAL STUDY

5.1   Introduction

Transformation in SA is an ongoing process and companies across industries are still coming to terms with volumes of complex BEE legislation that were promulgated. At the same time they are waiting for the gazetting of the industry charter (under Section 9 of the BBBEE Codes of Good Practice) that will bring new issues into the equation. There has been a distinct lack of information, which investigates the extent to which companies have embraced transformation, challenges that they face and benefits that they receive from implementing BEE measures in the advertising industry. The aforesaid factors were thoroughly examined by utilising a multiple case study approach to investigate the Cape Peninsula advertising industry's transformation progress.

This chapter commences with a review of the research objectives, scope and approach, including the paradigmatic perspective taken in this study. The focus of this chapter is the research methodology that was used to collect and examine data to determine the extent to which advertising agencies in the Cape Peninsula embraced transformation by striving to attain the quantitative empowerment targets, namely BBBEE ownership and EE (Black representation), as outlined in the BBBEE Codes of Good Practice scorecard and/or MAC Transformation Charter. The research design and methodology section includes a description of the participant selection process, data collection methods and data processing measures, as well as an analysis of data in terms of data reduction, structure and display. The chapter concludes with an explanation of how data was interpreted, conclusions were formulated, and trustworthiness and validity of qualitative data were established, while it also outlines the limitations of the research study. Throughout the discussion of this BEE study, examples are used to illustrate and elucidate the findings in each step of the research methodology.

5.2   Research objectives

The primary objective of this research explores the transformation progress at advertising agencies in the Cape Peninsula by assessing implementation of BEE measures and compliance with the BBBEE Codes of Good Practice scorecard and/or the MAC Transformation Charter.

The first secondary objective investigates the challenges that face advertising agencies in the Cape Peninsula, while striving to comply with BBBEE ownership and EE targets. This objective also investigates how advertising agencies in the Cape Peninsula have addressed these challenges.

The second secondary objective examines additional benefits that advertising agencies in the Cape Peninsula have received, for having a transformation agenda, over and above complying with BBBEE ownership and EE targets.

5.3   Scope of the research study

Only advertising agencies in the Cape Peninsula were included in the study, as the Cape has been the most criticised for its slow transformation in comparison to the national advertising industry.

The study primarily focuses on two of the seven BBBEE factors, namely BBBEE ownership and EE. These were the two initial BBBEE elements mandated in the first industry Transformation Charter and hence advertising agencies have had the longest period to focus their efforts to attain targets in the BBBEE Codes of Good Practice scorecard and/or MAC Transformation Charter. Other BBBEE elements include management control; skills development; preferential procurement; enterprise development; and socio-economic development initiatives. The empowerment factors above fall beyond the scope of this study and will not formally be investigated, but will be referred to since they emerged in the collection of data and are inherently connected to the two BBBEE elements, which are examined in this BEE study.

As previously mentioned, all advertising agencies in the Cape Peninsula that are classified as designated employers (in terms of the EE Act), are included in the study. Designated employers are those advertising agencies that employ 50 or more employees, or those that employ fewer than 50 employees, but have a total annual turnover that is equal to or above the applicable turnover of a small business in terms of Schedule 4 of the EE Act. The annual turnover is R10 million for the TSC sector. Advertising agencies outside the Cape Peninsula and those that are not classified as a designated employer, fall outside the ambit of this study.

Traditional full-service advertising agencies that focus on ATL advertising are included in the study, in other words, those that offer clients the following key functions: creative services; media planning and buying; production; account planning; and management. Therefore, creative, media, in-house, BTL and virtual agencies, fall outside the scope of this study.

5.4   Paradigmatic perspective and research approach

The study follows an interpretivist paradigm, which offers insights into a situation by qualitatively exploring, understanding and analysing participants' perspectives and explanations of the situation (Maree, 2007:60). The researcher interacted closely with advertising agency participants in order to gain insights and to form a clear understanding of their attitudes, experiences and/or organisational

stance pertaining to the extent, benefits and challenges of transformation in their advertising agencies. Stated differently, the interpretivist (phenomenological) paradigm proposes that individuals are constantly engaged in attaining a deeper understanding of the elements (Miles & Huberman, 1994:8) and making sense of their social worlds (Ritchie & Lewis, 2003:12). The study aims to make sense of the participants' worlds by interacting with them, understanding and clarifying meanings that they attribute to their experiences. The researcher attempts to establish a holistic view of the participants within their situations by exploring their experiences and views pertaining to BEE progress, challenges and benefits for each advertising agency (Terre Blanche & Durrheim, 1999:123-130).

The researcher predominantly used a qualitative approach to explore the extent to which advertising agencies in the Cape Peninsula have undertaken to attain the objectives set in the BBBEE Codes of Good Practice scorecard and/or MAC Transformation Charter. Qualitative research approaches tend to use a small number of cases (Silverman, 2005:9), but usually aim for depth of understanding as opposed to the sample size and data quantity (Henning, 2004:3). Twelve advertising agencies fall in the scope of the study. Consequently, the greatest advantage of qualitative research is the depth of information that it yields; however, this approach is frequently criticised for its subjectivity and inability to be able to generalise findings beyond the situation investigated (Maree, 2007:60). The researcher has attempted to prevent these limitations from influencing the quality of the study by minimising subjective views and continuously monitoring all interpretations to ensure a thorough study. The aim of the qualitative research approach was not to generalise, but to provide in-depth information concerning the advertising agencies' endeavours to achieve quantitative empowerment targets, which were mentioned in prior text. Although a range of views were established by utilisation of multiple cases, this also assists with overcoming subjectivity and increasing the likelihood of being able to generalise within the scope of the study (Merriam, 1998:211-212).

The researcher approached the study based on the following assumptions:
- Traditional full-service advertising agencies in the Cape Peninsula have made progress in terms of BEE as they all have transformational agendas.
- All of the traditional full-service advertising agencies in the Cape Peninsula that fall in the scope of the study will agree to participate.
- A senior employee and/or stakeholder of each traditional full-service advertising agency in the Cape Peninsula, with sufficient knowledge of their prospective BEE measures, will agree to be interviewed.
- Employees and/or stakeholders will willingly answer all questions in the interviews and provide relevant documentation, which is required.

5.5   Research design and methodology

The research design is the strategy that progresses from the underlying qualitative assumptions to the actual specifying of respondents that are selected, the data collection techniques that are utilised and analysis of data (Maree, 2007:70). Mouton (2001:55) simply refers to the research design as the manner in which research is conceived, implemented and how the findings are ultimately compiled.

The case study design can be described as a set of related occurrences that aim to describe and explain the topic of study, which in this incidence, are advertising agencies' endeavours to transform by implementing BEE measures. The case study design involves an analysis and systematic investigation of a limited number of cases (frequently only one). The units of analysis may include individuals, groups and companies; consequently, a group of advertising agencies were analysed for purposes of this BEE study (Welman, Kruger & Mitchell, 2005:195). Use of two or more cases is referred to as the multiple case design and in this BEE study a number of cases, namely twelve advertising agencies, were investigated and assisted in providing a clearer understanding of the acquired knowledge (Silverman, 2005:127). The design also has the advantage of yielding multiple sources of information that facilitated the process of describing the advertising agencies' BEE endeavours (Maree, 2007:291-292). This furthermore produced more compelling analytic conclusions, compared to a single case design (Yin, 2003:53).

An important assumption of this research design is that the phenomenon investigated is a bounded system, in other words, some kind of boundary or outline is used to define the case's parameters under investigation (Henning, 2004:32 & 40). Stated differently, there is the focus of the study and then there is the boundary that defines that, which will not be studied (Miles & Huberman, 1994: 25). Traditional full-service advertising agencies with a turnover, which exceeds R10 million or 50 or more employees in the advertising industry and are situated in the Cape Peninsula, were included in the study and, therefore, constituted the boundaries of this BEE study.

A main advantage of this research design method is that it allows for a large amount and variety of data to be collected by using multiple sources and techniques such as surveys, documents and interviews (Yin, 2003:85-86). Interviews and documents were collected for purposes of attaining both qualitative and quantitative data in this BEE study, however, it should be noted that the aim of this design is not merely to describe the case, but also to search for patterns and relationships within the data collected (Welman, Kruger & Mitchell, 2005:194).

5.5.1   Selection of participants

The population consists of all individuals, groups and companies in which the investigated research problem resides, in other words, the population includes the total collection of all units of analysis about which the researcher desires to make specific conclusions. In simple terms, a population is the full set of cases from which a sample is drawn (Welman, Kruger & Mitchell, 2005:52-53).

As previously stated, traditional full-service agencies in the Cape Peninsula that were either classified as a designated employer, in other words, they employ more than 50 employees, or had an estimated income, which exceeds R10 million, were included as participants in this BEE study. All other advertising agencies fell outside the scope of this study; either because they were not classified as designated employers or as a traditional full-service advertising agency or are situated outside the Cape Peninsula (refer to the "Scope of the research study" for greater detail on these defining factors).

The research population, as of 30 June 2008, consisted of the top twelve advertising agencies in the Cape Peninsula (in terms of annual income) that were eligible to participate in the study. It was coincidental that the top twelve advertising agencies were also classified as designated employers. The following Cape Peninsula advertising agencies were included in the study:

- Ogilvy Cape Town;
- The Jupiter Drawing Room Cape Town;
- DRAFTFCB Cape Town;
- BBDO Cape Town;
- Saatchi & Saatchi Cape Town;
- KingJames;
- Bester Burke Slingers;
- JWT Cape Town;
- Lowe Bull Cape Town;
- Admakers International;
- TBWA Hunt Lascaris Cape Town; and
- Young & Rubicam Cape Town.

The researcher decided to target all twelve advertising agencies for the study, since the research population was small enough to conduct a census, whereby each member of the research population is included in the study (Welman, Kruger & Mitchell, 2005:101).

5.5.2   Data collection methods

The data in this study was collected from multiple sources, namely interviews and internal documents, which yielded both qualitative and quantitative data. The following means were used to establish the construct validity and reliability of the case study evidence by combining the findings and facts (Yin, 2003:83).

5.5.2.1 Interviews

All qualitative data collection will have some type of structure, but the extent depends on the purposes of the study. A number of broad questions are likely to be asked in an exploratory study, where participants are encouraged to structure their own narrative, but in other studies a set of topics should be consistently covered with all participants; hence there is a stronger focus on factual and descriptive data. Researchers ask key questions in a similar manner for each interview and probe for additional information in semi-structured interviews, which are specifically used to consistently cover a range of topics across a number of participants (Ritchie & Lewis, 2003:110-111). This same approach was adopted by the interviewer for this study.

The researcher formulated a semi-structured interview guide and conducted face-to-face interviews with employees from the advertising agencies to generate in-depth data on each advertising agency's endeavours to attain their quantitative empowerment targets and to obtain imperative BEE documents. Furthermore, use of a semi-structured interview is advantageous when the topic is sensitive in nature (Welman, Kruger & Mitchell, 2005:167), as a majority of SA companies are protective about transformation progress and the corresponding data. The main benefit of using face-to-face interviews was that it allowed the researcher to obtain advertising agency employees' trust by establishing a relationship with them, which consequently resulted in a greater number of questions being answered, which generated more data and aided in the acquisition of documents that are sensitive in nature (Maree, 2007:294). Predetermined closed- and open-ended questions were developed to direct the researcher during interviews that provided both qualitative and quantitative data. All the same questions were asked, but the order of the questions changed and the sequence largely depended on the manner in which the interview progressed. Probes such as "motivate", "explain" and "discuss", were used to obtain greater depth of information and to elaborate on vague or incomplete responses (Welman, Kruger & Mitchell, 2005:166-167).

The semi-structured interview guide was divided into three main topics (refer to Appendix A: interview guide for advertising agencies), namely:
- Overall transformation and BEE;
- BBBEE Ownership; and
- BBBEE Employment Equity.

Each advertising agency was contacted telephonically in order to make an appointment. The researcher telephoned contacts that had been established as a result of the student advertising project that first led to awareness of the research problem. However, owing to the high staff turnover in the advertising industry (this phenomenon was verified by the findings), a majority of the contacts were no longer employed at the prospective advertising agencies. It was, therefore, at the receptionists' discretion to decide who the best people were to speak to concerning transformation progress and BEE measures within their advertising agencies.

Five of the twelve receptionists (42%) directed the call to the human resources (HR) department within the larger advertising agencies (the smaller ones generally do not have HR employees – this was also verified by the findings); two to the traffic department; three to the personal assistant of the MD; one to the creative director; and another to the PR department. It was significant that none of the employees to whom the researcher was first transferred, were able or willing to talk about transformation. On some occasions the researcher was directed from one employee to the next, until a top management echelon was reached. It was apparent that junior employees were anxious or lacked knowledge concerning this sensitive subject; it was only top management that had either insight or authority to disclose information concerning transformation and BEE issues and were, therefore, targeted accordingly. After eight weeks of telephoning and e-mailing, appointments were scheduled for all of the twelve qualifying advertising agencies, although in some instances these were postponed and rescheduled up to three times before the appointment was honoured.

A majority of the interviews took place at the advertising agencies' contemporary premises that were predominantly situated in the Cape Town city bowl. The purpose of the research was explained before commencement of the interviews and it was reiterated that all information would be kept confidential. The researcher obtained verbal consent to record the interviews before any questions were asked and all interviews were conducted in English.

Table 5.1: Interviewee demographics

Advertising agency	Designation	Gender	Ethnicity
A	CEO	Male	White
B	Financial director	Male	White
C	Chairperson	Male	Coloured
D	MD	Male	White
E	Financial director	Male	Coloured
F	Group MD	Male	Coloured
G	HR director	Female	Black
H	MD	Male	White
I	MD	Female	Coloured
J	Financial director	Male	White
K	MD	Male	White
L	MD	Male	White

Interviewee demographics are displayed in Table 5.1 and represent the entire research population of this study. The mean average duration of the interviews was 55 minutes and all information was captured by using a digital recording device. Handwritten observation notes were taken to support the recordings and to assist with the transcriptions for analytical purposes.

5.5.2.2 Documents

Each advertising agency that was interviewed was also asked for a copy of their BEE contribution certificates and EE plans. All advertising agencies that are classified as designated employers are required to submit EE plans to the DoL annually if they are large employers (150 or more employees) or every second year (with an even number) if they are small employers (less than 150 employees). These EE plans are available to the public on request. The researcher ordered EE plans for each advertising agency that qualified to participate in the study and four EE plans were subsequently received from the DoL. These documents are classified as primary sources of data since they were unpublished and provide imperative quantitative and qualitative data that was necessary for triangulation purposes (Maree, 2007:82-83).

The advertising agencies were also informed that all information that was provided in the interview and documentation was strictly confidential and that their names would not be mentioned during analysis of the data. The advertising agencies that participated in the study were all promised a copy of the main findings of this BEE study.

5.5.2.3 Triangulation

Triangulation is used to compare different methods (interviews and documents) and types of data (qualitative and quantitative) to establish whether they are in congruence with one another (Silverman, 2005:121-122 & 380). Ritchie and Lewis (2003:276) and Yin (2003:97-99) outline different forms of triangulation, two of which were used by the researcher. Firstly, method triangulation compares data that is collected by different methods (qualitative versus quantitative) and, secondly, source triangulation occurs when data is compared from different qualitative methods such as interviews and documents. The researcher found similarities and differences in the challenges and benefits that advertising agencies encountered when striving to attain quantitative empowerment targets by utilising both forms of triangulation to help with the validation of the findings. Triangulation also provides a diverse way of examining the same phenomena and adds credibility to the conclusions drawn. According to Maxwell (1996:93), triangulation decreases the risk of systematic bias and chance associations because the data was gathered from a varied array of individuals or cases, which use a range of methods and sources.

5.5.3   Data analysis

Qualitative data analysis encompasses selection, examination, categorisation, tabulation, reviewing and/or amalgamation of quantitative and qualitative data to address the initial notions of the research study (Yin, 2003:109). According to Ritchie and Lewis (2003:199 & 220), the analysis of case study evidence is challenging since it is a continuous process that begins with the organisation of large amounts of unwieldy and detailed rich raw data. It continues with several cognitive taxing phases, for example, the immersion of data, generating themes and categories, data interpretations and drawing conclusions until it ends with the final written report that discloses the results (Marshall & Rossman, 2006:156).

Qualitative interpretation differs from quantitative analysis, since there are no clearly agreed rules or measures to analyse data and approaches vary in terms of the principal focus and objectives of the analytic process. However, in recent times, there has been a considerable improvement in terms of literature on a variety of approaches to execute qualitative data analysis. Consequently, the ethnographic content analysis approach (Mouton, 2001:149-150) was applied and utilised for the interviews and documents and by identifying themes, examining the way in which they were presented and the frequency of their occurrence (Ritchie & Lewis, 2003:199-200). Ethnographic content analysis was a practical approach to investigate experiences of the advertising agencies and allowed for a descriptive analytical framework to be created to organise the case studies (Yin, 2003:114). The descriptive framework was realised by implementing the following sequential elements of qualitative data analysis: data reduction; data structure and display; and data interpretation; and conclusion formulation (Miles & Huberman, 1994:10-11).

5.5.3.1 Data reduction

Qualitative research generally yields a large volume of unwieldy data that may take the form of hours of recordings (11 hours for the twelve participants in this BEE study), numerous pages of transcripts from interviews (a total of 50 pages), extensive documents (a total of 60 pages in the form of BEE certificates and EE plans) and a wide range of other documents (such as the EE registries, theses, BEE surveys and so forth), all for which the researcher needed to find a means to manage the data (Ritchie & Lewis, 2003:202).

Data reduction is a form of analysis that sorts, focuses, discards and organises data in such a way that conclusions can be drawn and verified, but it is important not to eradicate the context in which the data occurred. It takes place constantly during the study until the completion thereof and even prior to the data being collected. Anticipatory data reduction transpired as the researcher decided which conceptual framework, cases, research questions and data collection techniques to utilise (Miles and Huberman, 1994:10-11).

An important step in data reduction involves segmentation of data by assigning symbols, words, names or a combination of these, with the purpose of identifying information and creating interpretive constructs for further data analysis (Merriam, 1998:164). Some researchers use inductive coding, whereby they develop codes as they code the data, while others establish the codes before examining the data, which is termed priori coding (Maree, 2007:109). The researcher used priori coding to establish the themes, since the same questions were asked in the semi-structured interviews; therefore, each question represented a particular theme. This process of establishing the themes beforehand is also known as deductive analysis (Marshall & Rossman, 2006:159). Since the questions were not asked in any particular order, the next step was to organise and combine the data into relevant themes for each case, until all of the data had been sorted.

The initial descriptive stages require scrutiny of each specific theme across all of the cases and then highlight the range of perceptions, attitudes, views and experiences that have been denoted as part of that theme. A variety of colour highlighter markers were used to label related pieces of data as means to identify different views and elements that had emerged. Once all the data had been marked and the range was established, the data was sorted into key elements within the range, which revealed a number of categories (Ritchie & Lewis, 2003:237-239). Marshall and Rossman (2006:158-159) advocated that categories can be equated to the baskets or buckets into which clusters of associated and recurring patterns of text are placed.

The transcripts were then reread to ensure that all of the data was correctly categorised and further refined where necessary, as well as to verify that none of the data had been misinterpreted and that an unbiased view was taken by the researcher. The refining process again involved the use of Coloured highlighter markers to indicate correlations and divergent views between categories and in some instances new categories emerged, while others were amalgamated. A total of forty-nine categories, some with up to eight sub-categories, emerged from the questions. The researcher was also careful to retain the original words of participants as far as possible in order not to lose the context and thus retain the essence of what was said (Ritchie & Lewis, 2003:230).

Once the mass of data had been reduced to make it more manageable and the categories were determined for each theme, it was then structured into diagrams in order to facilitate interrelations and associations that are normally difficult to spot in a large quantity of text (Ritchie & Lewis, 2003:204 & 214).

5.5.3.2 Data structure and display

Categories should be explored in terms of similarities, differences, contradictions, interrelations and evidence that affirm or challenge interpretations between the categories and cases that are

explored (Maree, 2007:110). Miles and Huberman (1994:11) propose that a simple means to structure the mass of processed data in a condensed and easy to read format, is to visually display and/organise it by means of diagrams. These visual displays, in a compressed format, allow the analyst to see what is happening, analyse further and formulate conclusions, as well provide readers with an opportunity to speedily absorb large amounts of data at a glance.

No separate sections or diagrams were dedicated to individual cases, but were displayed in a format that combined answers to each question (across the twelve advertising agencies) in tables and figures (in this instance graphs), although quotes and significant data from individual cases, are presented in condensed vignettes. A principal advantage of using the question-and-answer format for multiple case designs is that the answers to the same questions should be examined to commence with cross-case analysis and readers can review the questions that are of most interest to them without any difficulty (Yin, 2003:147-148). Network illustrations were also generated by utilising Atlas.ti, which is a computer assisted qualitative data analysis software (CAQDAS) program, to graphically depict relationships between the different themes and categories.

Applicable excerpts from the transcripts and documents were placed into tables for each category, with a different colour denoting each participant, so that the reader can easily follow the views and sentiments of individual advertising agencies for each question. All of the participating advertising agencies were guaranteed that the data provided was strictly of a confidential nature and that their names or responses that would serve to identify their advertising agency, would not be disclosed in the dissertation. Any information that would identify participating advertising agencies was paraphrased in a way that would retain the essence of what was said, but would protect identities, since the information was sensitive. The bulk of the sensitive information was located in the quantitative data, which was transformed into graphs (thereby concealing individual advertising agencies identities) by using Microsoft Office Excel 2003 and was used in collaboration with qualitative data for the triangulation process.

5.5.3.3 Data interpretation and conclusion formulation

Categorisation of the data into themes and categories are essentially descriptive summaries of what participants have said and done, but nevertheless signify some level of interpretation (Merriman, 1998:187). The next step is to obtain an analytical understanding of the data in order to establish how it substantiates or contradicts and brings new understanding to an existing body of knowledge. The researcher defined concepts and the nature of the phenomena, searched for patterns and

associations within the data and provided explanations in order to uncover new meaning and insights from the data (Maree, 2007:111-113). The explanations were derived in a number of ways: some were given by the participants; others emerged from the number of times a phenomenon occurred across the cases or came from comparisons with other studies (or surveys) on BEE (and transformation) from different industries or countries (Ritchie & Lewis, 2003:252-255). Conclusions that were drawn from the data were compared to the literature review and show significant connections and also deviations when compared with this BEE study's findings (Mouton, 2001:124).

5.5.4 Trustworthiness and validity of qualitative research

Miles and Huberman (1994:11) view conclusion formulation as only half of the data interpretation process, since they should still be verified as the analyst proceeds with the study. An assessment of the trustworthiness of data analysis, findings and conclusions in qualitative research, is important. The researcher used the following techniques (Maree, 2007:113-115) to assess and enhance the trustworthiness and validity of the study.

- Multiple sources of data were used in the form of interviews and documentation that yielded both qualitative and quantitative data. As stated previously, triangulation was utilised, which is an effective strategy to improve reliability and validity of the findings.
- Independent researchers (supervisors) were asked to scrutinise the semi-structured interviews that were used as a basis for the deductive themes, which resulted in greater trustworthiness.
- The aforementioned techniques were also used in an attempt to control researcher bias in the study.
- The main aim of this study was not to generalise findings across the population, but rather to discover participants' unique insights, experiences, attitudes and advertising agency endeavours into the transformation process. Nonetheless, the study did yield data that could be generalised owing to the fact that a research population census was conducted and this in turn, contributed to the validity of the study.
- The researcher utilised quotes carefully so that participants' words were not used out of context, or part thereof, to illustrate the researcher's point of view.
- Confidentiality and anonymity were maintained throughout the study.

Limitations of the study are discussed in the next section, which provide the reader with a better understanding of how the researcher arrived at the conclusions.

5.6   Limitations

Three main limitations should be discussed. The first limitation of this BEE study is that transformation is a sensitive subject in terms of progress that advertising agencies have made in achieving quantitative empowerment targets. Hence some advertising agencies were hesitant to divulge certain data and documents, but the face-to-face interviews helped to reduce the apprehension about the topic.

The second limitation is that the depth of the data was dependant on the interviewed employee's knowledge of their advertising agency's transformation process in terms of overall BEE, BBBEE ownership and EE. The researcher only interviewed senior employees, for example, MDs and Directors, since they have a more expansive knowledge of BEE than lower level employees, hence this limitation was minimised.

The third limitation is that advertising agencies are busy enterprises, especially when an advertising campaign for a major client is about to launch. Every available employee, regardless of their job description, is used to ensure that the campaign meets media deadlines, particularly in small advertising agencies. Therefore, obtaining the interviews was based on how busy the advertising agencies were during that time and willingness of the employee who drove the transformation process, to avail themselves. Senior employees also had busy schedules and it took up to eight weeks to obtain an appointment with some of them. The researcher was persistent, since advertising agencies were telephoned and e-mailed each week until an appointment was secured and the interview concluded. It also took the same length of time after completion of the interviews to secure some of documents that were promised during the interviews.

5.7   Summary

This chapter provided a comprehensive overview of the empirical study plan to conduct research at full-service advertising agencies in the Cape Peninsula. The research objectives, scope of the study and research approach were discussed, as was the research design, selection of participants and data collection methods. The delineation of the population and a complete overview of the analysis of data in terms of data reduction, display, interpretation and conclusion formulation, were also examined. The chapter concluded with an outline of the trustworthiness and validity of qualitative data and main limitations of the research.

CHAPTER SIX

DATA ANALYSIS AND SUMMARY OF FINDINGS

6.1   Introduction

This chapter analyses and provides meaningful interpretation to the volumes of data that was collected in terms of transformation progress and subsequent BEE measures from participating advertising agencies within the Cape Peninsula. The data derived from the interviews and documents was organised into predetermined themes under three main topics, namely overall transformation and BEE, BBBEE ownership and EE. Repetitive patterns and collections of connected text were assembled into categories that were displayed by means of tables and figures to facilitate easy comprehension. A different colour was used to denote each advertising agency, to facilitate tracking of their responses. Similar responses to each question were tallied, in spite of primarily utilising a qualitative approach, since they substantiated conclusions drawn from the data owing to the fact that there was more than one case in agreement or disagreement. The question-and-answer format was utilised to facilitate cross-case analysis. Explanations and interpretations of the findings were provided for each category to reveal new meanings and insights from the data.

6.2   Overall transformation and BEE

Questions, which relate to broader transformation issues, were first asked before specific BBBEE elements were addressed. Rich information, both of a qualitative and quantitative nature, emerged in this first topic. It provided a valuable overview of the extent to which advertising agencies have embraced transformation by complying with the BBBEE Codes of Good Practice scorecard, EE plans and/or MAC Transformation Charter objectives, as well as by implementing their own BEE measures. The advertising agencies' responses touched on various significant areas in this section, several of which were explored and elaborated on in preceding sections.

6.2.1   First thoughts on transformation and BEE

The researcher commenced each interview by asking the interviewees to share their initial thoughts when they received a telephone call or e-mail requesting an interview to speak about transformation and BEE. The purpose of the question was firstly to get the interviewees to talk freely and openly about the topic without predisposing them into a particular direction; secondly, to ascertain their general feelings on this topic; and, thirdly, to establish an opening for the researcher to proceed with the interview in a more causal manner, in other words, as a conversation instead of an interviewer/interviewee format. Four categories emerged from this question, which were raised by more than one interviewee (several interviewees provided more than one view), with a fifth category disclosed by a single interviewee.

Table 6.1: Embracing transformation and BEE

Category	Responses
1	"It's part of our business and imperative strategy so there weren't any alarm bells. … we were one of the first agencies with Black ownership in the country…, we are aware of it and it's been embraced." "I have to start by saying we embrace it completely…, so BEE it's not a swear word in our world." "It's a critical subject in our country and something we've taken seriously for a long time, we were the first big agency to go Black empowered …" "I'm comfortable with it because we have done a lot when it comes to BEE and transformation." "We're open and free and easy to talk about BEE empowerment, our shareholding and how we go about it internally."

Category 1 – Embracing transformation and BEE

Five interviewees stated that their advertising agency had embraced transformation and BEE and that it had already been part of their business for an extended period of time. Three of the interviewees revealed that they had been involved in the BEE process for more than eight years.

Table 6.2: In progress or completed BEE verification process

Category	Responses
2	"We have to do it annually so we will start in February 2009." "We're busy with our BEE transformation process at the moment…, so some of it is fresh in my mind." "… we had certification by Empowerdex which has expired and we haven't done the new audit because one of our suppliers is waiting on a deal and that will affect our level of contribution." "We're being audited for BEE … I was putting a file together for that anyway." "The last few months I have been very involved with an external consultant ratings agency and looking at our current situation and putting together a practical plan with sustainable focus on it."

Category 2 – In progress or completed the BEE verification process

Five interviewees affirmed that their advertising agencies were busy with the BEE verification process, in other words, they had been recently certified, in the midst of auditing, and will either soon resume the process or were in discussion with a BEE verification agency.

Table 6.3: First thoughts on BBBEE elements

Category	Responses
3	"If you think about EE, one of the key pillars for me, I am also conscious of the fact that I am in an industry where people move around a lot." "When you speak to other companies about BEE they say they have 26% ownership… but it extends beyond that, it goes into EE, procurement, enterprise development and management and a lot of people including ourselves never really understood that before. A lot of big businesses just sell off to investors, that is cheating in our opinion." "… we don't see as much of the value in the ownership as we see in the EE numbers, if you get your numbers to the right level then you are making a difference." "A lot of our big clients are using us in terms of their empowerment scores, putting us under pressure in terms of reaching certain criteria, because it counts for them in terms preferential procurement."

Category 3 – First thoughts on BBBEE elements

Four interviewees discussed various aspects of one or more of the elements (or pillars) of BBBEE such as ownership, EE, preferential procurement, enterprise development and management control.

Table 6.4: Apprehension to transformation and BEE

Category	Responses
4	"It has always been a very sensitive subject in the advertising industry, simply because the ad industry has been lagging out there behind all the other industries in terms of getting it right. I think it has desensitized quite a bit. It has normalised in the last five years." "… they said we really like you guys but your BEE is very poor and we were quite defensive at first."

Category 4 – Apprehension to transformation and BEE

Two interviewees noted that either the advertising industry or their advertising agency was initially sensitive regarding transformation and BEE, but that it had improved over the last couple of years.

Table 6.5: Transformation and BEE are divergent

Category	Response
5	"The interesting thing about BEE and/or transformation, for me they are very separate and have nothing to do with one or the other. One might be a consequence of a large subsection, in my view, being the success of transformation."

Category 5 – Transformation and BEE are divergent

One interviewee stressed that transformation and BEE had little to do with each other.

Summary of responses

It was not a surprise that these advertising agencies responded positively to this question since a majority of them are amongst the largest both in Cape Town and SA and have been industry frontrunners in terms transformation and BEE for the past decade. The fact that just under half of advertising agencies were in some stage of the BEE verification process indicates that they do take BEE seriously and are committed to measure their progress. BBBEE elements are the building blocks of BEE and are, therefore, important components of the scorecard that are necessary to measure advertising agencies' quantitative progress. Transformation was and still is a sensitive issue for some advertising agencies, but the fact that that the top twelve advertising agencies were willing to participate in this BEE study and divulge confidential information indicates that the nervousness has diminished somewhat. It is true that BEE is only one part of transformation and that BEE is a formal mechanism that was developed to facilitate and encourage transformation. However, in several instances, BEE does not bring about real transformation, particularly if not implemented in a manner that embraces the spirit of transformation and simply becomes a quantitative target exercise.

6.2.2   Incidence of advertising agency BBBEE scorecards
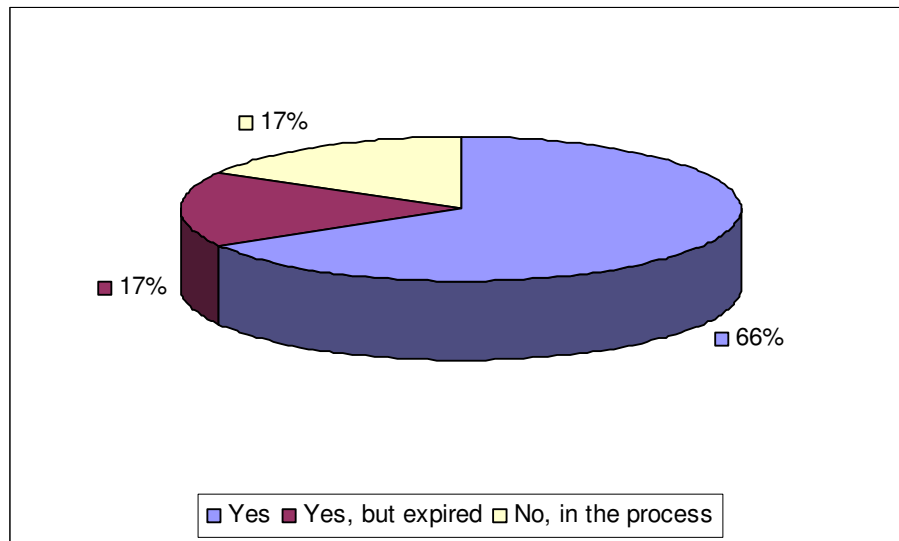
Figure 6.1: Advertising agency BBBEE scorecard prevalence

Ten of the interviewees verified that they have BBBEE scorecards, but two of them noted that their BEE contribution certificates had expired and asserted that they were in the process of acquiring new ones. The remaining two interviewees confirmed that they were in the process of establishing their first scorecard.
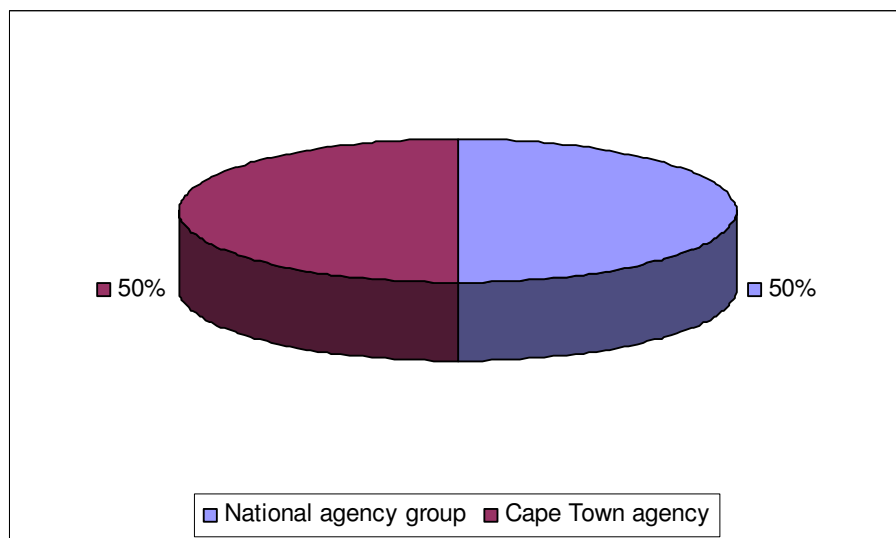
Figure 6.2: National advertising agency group versus Cape Town advertising agency scorecard

Category 6 – National advertising agency group versus Cape Town advertising agency scorecard

Half of the interviewees divulged that their BBBEE scorecard was for the whole advertising agency group, whereas the other half revealed that the BBBEE scorecard was only for the individual Cape Town advertising agency. One interviewee thought that each legal entity was required to draw up their own scorecard. Another interviewee felt that it depended on whether they predominantly had national clients, in which case it would make logical sense to have a national scorecard. A different interviewee confirmed the aforesaid view by stating that they had separate clients and, therefore, it made common sense to compile separate scorecards. The interviewee added that their Johannesburg office was a larger company and we hence compelled to consider all seven BBBEE pillars, which made their strategy difficult, since it needed to be broader and more intensive in order to achieve the scores across all seven pillars. The interviewee explained that the Cape Town office was also working on other pillars and were not ignoring them, regardless of whether they grew to that level or not, it was important to address all of the pillars. A fourth interviewee observed that their scorecard was two levels higher than their Johannesburg counterparts.

Summary of responses

A majority (ten) of the advertising agencies confirmed that they had BBBEE scorecards, but two disclosed that their BEE contribution certificates had expired since the certificates are only valid for one year and were in the process of renewing them. The other two advertising agencies were busy with the verification process in order to obtain their first BEE contribution certificate. An unexpected qualitative outcome emerged from this seemingly quantitative question, since half of the advertising agencies established a single scorecard for the entire national agency group, in other words, all subsidiaries and branches throughout SA. The BEE contribution levels are disclosed in Category 9 for all twelve advertising agencies and it soon became apparent that the separate Cape Town advertising agency mean average BEE contribution level of 3.5 was significantly lower when compared to the national advertising agency group level of 5.2. The top three BEE contribution levels were achieved by advertising agencies that submitted scorecards individually (refer to Figure 6.4). A third of the advertising agencies had different opinions in terms of which way was correct.

The main advantage of advertising agencies establishing separate scorecards for each branch or subsidiary is that they would only need to comply with four of the seven BBBEE elements if their turnover is less than R35 million - they would, therefore, qualify as QSEs, which would result in higher scores (five of the six agencies that established separate scorecards were consequently classified as QSEs). Two advertising agencies admitted that their scorecard ratings were higher than their Johannesburg counterparts. The main disadvantage of establishing a separate scorecard is that as soon as the advertising agency's turnover exceeded R35 million, it would need to comply with the other three BBBEE elements, which may result in a potentially detrimental decrease in their BEE contribution level.

6.2.3 Prevalence of BEE verification agency utilisation
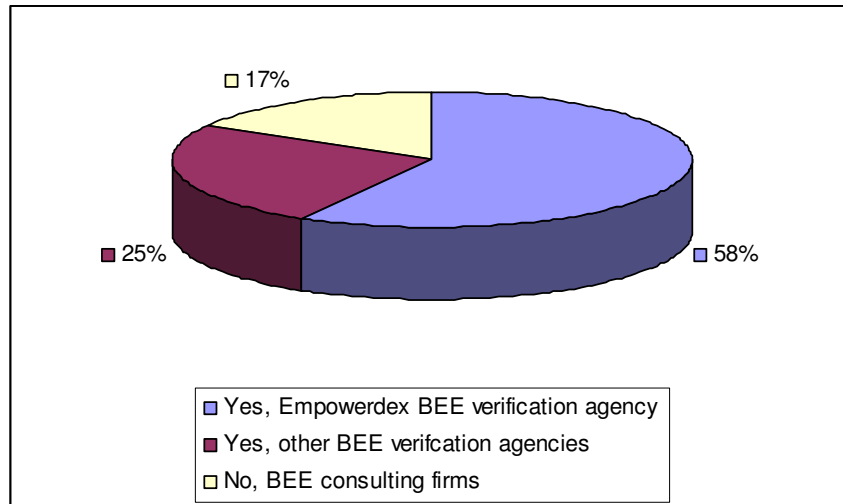
Figure 6.3: BEE verification agency utilisation

Ten interviewees confirmed that their advertising agency had been rated by a BEE verification agency, while two utilised a consulting firm. Seven of the interviewees affirmed that their BEE verification agency was Empowerdex, although two of these interviewees acknowledged that their scorecard had expired and that they were in the process of acquiring new ones from Empowerdex. One of the advertising agencies (utilising a BEE consultancy) was in their corrective year and were using the consulting firm to show them what they needed to do in order to become compliant before the verification process began the following year. The interviewee explained that they had two BEE verification agencies in mind, one of whom was Empowerdex, but that they would investigate who their largest clients were using in order to maintain consistency.

Category 7 – Companies can legally create their own scorecards

The second advertising agency that used a BEE consultancy declared that that one could legally write one's own scorecard, but opted to use a BEE consulting firm because the government had not gazetted particular measures and were, therefore, waiting for anticipated changes to take effect.

Category 8 – BEE verification agencies have not yet been accredited

Both of the advertising agencies that used BEE consulting companies drew attention to the fact that none of the BEE verification agencies had been accredited as yet.

Summary of responses

The fact that the bulk (ten) of the advertising agencies have used BEE verification agencies signifies that they take BEE seriously and are committed to measure their transformation progress. Empowerdex is amongst the largest, most credible and recognized BEE verification agencies, so it comes as no surprise that a majority of the advertising agencies have utilised their services. Interesting findings from this seemingly quantitative question, was that only one advertising agency mentioned that they could legally prepare their own BBBEE scorecard and also the fact that no BEE verification agencies had been accredited.

6.2.4   Advertising agency BEE contribution levels or ratings
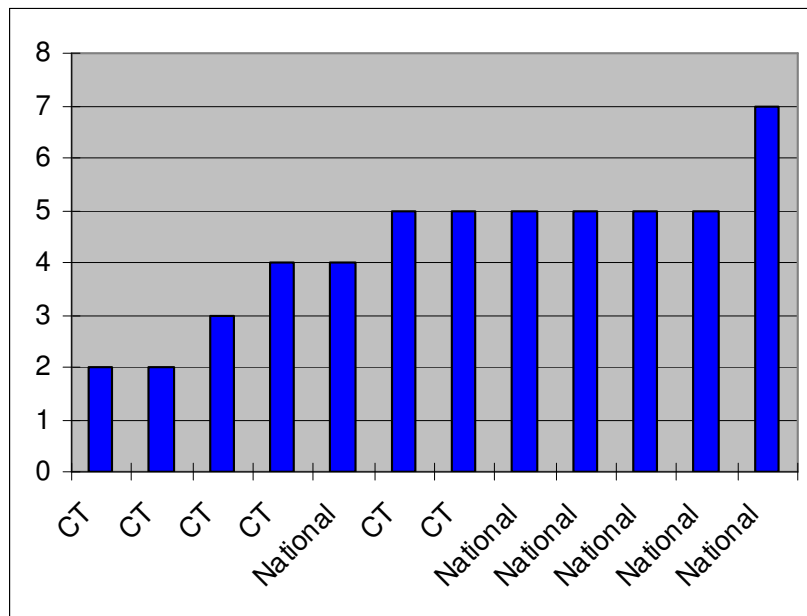
Figure 6.4: Individual advertising agency or advertising agency group's BEE contribution level

Category 9 – BEE contribution levels

The mean average was 4.33 and the mode average was 5 in terms BEE contribution levels for the top twelve advertising agencies in the Cape Peninsula. Two advertising agencies that were in the process of obtaining their first scorecard proclaimed that they would receive BEE contribution levels of 4 and 5. Previous BEE contribution levels were utilised for the two advertising agencies whose BEE contribution certificates had expired. BEE contribution certificates received from the advertising agencies were used to verify the abovementioned information. Four interviewees also revealed that they planned to improve their BEE contribution by a level over the next verification period. The mean average BEE contribution level of just over 4 is noteworthy when compared to recent national surveys on BEE progress, which are elaborated on in Chapter Seven.

Half of the advertising agencies that planned to increase their BEE contribution level substantiated that their clients had placed them under pressure to do so in terms of preferential procurement. One client said that if the advertising agency did not renew their BEE contribution certificate, they would no longer want to do business with them. Three advertising agencies also mentioned that they were placing their suppliers under pressure to get BEE verified, which indicates the positive influence that BEE has on companies to become BEE compliant.

6.2.5 Cost and complexity issues relating to the BEE recognition process

Table 6.6: Cost implications to obtain BEE recognition

Category	Responses
10	"Generally it would be a costly exercise, if it is genuinely regulated and implemented." "Very costly, we've had to call in auditors for due diligence, lawyers for agreement contracts and consultations, we have made a budget for it but we're biting the bullet." "That process does cost quite a lot. Empowerdex must be getting rich by it." "Obviously costly. It took us 5 years to put it together…" "It certainly costs a lot of time." "I don't think it was costly, in the sense of money. I think it was costly in terms of the time it took to find the right partners…" "It was time consuming, some elements…" "A great deal of leg work has to go in to it, that sometimes that is time-consuming which you don't have a lot of, when you are running a tight ship against a whole lot of deadlines…"

Category 10 – Cost implications to obtain BEE recognition

Five interviewees revealed that the process was time consuming and four (one of which implied that it was both money and time intensive) were of the opinion that the BEE recognition process was costly in terms of money.

Table 6.7: Complicated process to obtain BEE recognition

Category	Responses
11	"While there are the days when there is leg work to do and hammering your suppliers to get their certificates, it can be quite tedious and you feel like you beating up on people." "We need to verify all our suppliers' credentials which is a mission …" "Further to that it is quite difficult as it goes down and down to rely on your suppliers to give you a certificate and you can't assume. In terms of those certificates is that they have some rules and structures because in the early days no one knew how to do it…" "We've had to call in auditors for due diligence, lawyers for agreement contracts and consultations…. The complication was that before we had the consulting firm everyone had their own interpretations of BEE…" "I have seen the forms and evidence and it seems fairly onerous." "It was frustrating purely because of the admin involved…. It was put together by our FD who went grey in a short space of time. It was a nightmare because part of our group is owned by an international company…" "I think with any of these measurements it took a while to understand how we structured our company and where we put certain levels of people, because that impacts on the score."

Category 11 – Complicated process to obtain BEE recognition

A quarter of the interviewees explained that the recognition process was difficult in terms of having to obtain BEE contribution certificates from all their suppliers. Two interviewees mentioned that in the past there was little structure in terms of the certificates and/or a lack of BEE interpretations. Two interviewees implied that the administration of the BEE recognition process was burdensome. Individual interviewees conceded that the company structure was complicated and it grew in complexity when international partners were involved.

Table 6.8: Deception in BEE recognition process

Category	Responses
12	"… to be honest you can play games with these things through titles as well, so you can think up the most fantastic titles and have presidents, vice-presidents, chairmen all in the upper echelons." "I know that in practice that is the problem with things like scorecards… I think it can be fudged quite easily and I think fudging does happen. When you begin to look at the BEE status of a company, you are sometimes enormously surprised to find they have this kind of generous position which is due to fudging." "…there will always be people that push the law as opposed to the spirit of the law so there'll always be people that try use the system to their advantage…" "In terms of those certificates, they have some rules and structures because in the early days no one knew how to do it and there was a whole lot of skulduggery behind it. At least you've got some credibility behind it now. I am glad that they have regulated the process…"

Category 12 – Deception in the BEE recognition process

Four interviewees believed that there was potential for dishonesty when it came to drawing up scorecards and that deceitfulness took place during the BEE recognition process.

Summary of responses

The BEE recognition process is costly in monetary terms, but most of the advertising agencies view it as an operating expense, while the fee structures of BEE verification agencies are fairly reasonable. An interesting finding was that five interviewees revealed that the BEE recognition process was initially time intensive, particularly since they needed to spend time understanding the legislation, gathering evidence and completing a hefty amount of paperwork, in addition to their daily workload. The most common difficulty in the BEE recognition process was obtaining BEE contribution certificates from suppliers that were necessary to comply with the preferential procurement. This was also a hugely time-consuming task, since some of the advertising agencies had literally utilised hundreds of suppliers. This arduous task may have a negative effect on BEE progress owing to the severe time constraints of advertising agencies. All processes are open for abuse and cheating, especially if there is potential for financial gain, but one advertising agency acknowledged that the BEE recognition process had improved since the release of the BBBEE Codes of Good Practice, which had standardised it to a certain degree.

6.2.6   Worth of BEE recognition in terms of time and monetary outlay

All the interviewees agreed that experiencing the BEE recognition process was worth the time and monetary outlay.

Table 6.9: Reasons why BEE recognition process was worth the effort

Category	Responses
13	"…because if you look at any government business or large piece of business who themselves are measured by government through having contracts…" "…government tenders are much more rigorous and they want to see certificates etc. It's become a ticket to the game." "I think that such recognition forms part of the trading canvas within a country and I suppose that has been reflected variously and perhaps as a license to trade and I think that it is as important as some of the other kind of capital for our business." "Supposedly it should be worth the money you spend as you should be able to get business for it." "It's a difficult one because you don't ever want to do it just to get business, but it's a reality of doing business." "… but in diversity, the ratios of true Black people are very different in Johannesburg and that mix shows through in the work in terms of understanding target market." "The greatest reward is being able to teach somebody something and get them to realise something they thought wasn't possible... To see that growth in people is fantastic and same emotions play a huge role to what you are doing."

Category 13 – Reasons why the BEE recognition process was worth the effort

Five interviewees revealed that it was worth experiencing the process, since it enabled them to obtain new business or to pitch for business from which they would otherwise have been excluded. Two of these interviewees specifically mentioned that any government business required stringent BEE criteria. Other reasons provided by individual interviewees included improvement of staff diversity and that it was rewarding to teach and see people advance in their careers.

Table 6.10: Simple to maintain scorecard upon completion of BEE recognition process

Category	Responses
14	"… but now we've got something that will last forever and worth every minute we spent on it." "It doesn't take a lot of time now to put the file together because we've been updating it every 3 to 4 months … it's not a difficult thing to do once you've got it set up…" "…it is not just something that we do the last three months of the year to make sure that our scores are still level. It's something every month we track…. That makes it easier and less time consuming at the last minute to make sure you are at a level you should be." "… but we've taken our consultant's advice and are going full steam ahead."

Category 14 – Simple to maintain scorecard upon completion of BEE recognition process

Four interviewees noted that although it was a costly process, it was relatively simple to maintain if it was monitored on a regular basis.

Table 6.11: Problems with the worth of BEE recognition

Category	Responses
15	"Big groups are pushing and have these plans in place; some agencies don't have that level of HR and measurement." "The private enterprises don't always ask for that level of detail, they want to know that the agency is embracing the issue of transformation and to know where you are in terms in terms of ownership and EE." "The only business we've lost was where we were consistently challenged on our empowerment credentials, which was bizarre as they were all legitimate. They moved to another agency that bamboozled them about some sort of staff trust which never happened..."

Category 15 – Problems with the worth of BEE recognition

Individual interviewees highlighted the following potential problems: small agencies may not have necessary resources to complete the BEE recognition process, while several private companies do not ask for BEE credentials and business can be lost if clients are tempted to move agencies by attractive, but false BEE credentials.

Summary of responses

The main reason cited for the BEE recognition process value was that it enabled advertising agencies to obtain new business or pitch for business, especially lucrative government tenders. This finding was not unexpected as advertising agencies' such as any other businesses' primary objective is to make a profit. This may not be a noble reason, but tolerable as long as it sustains and advances transformation. It was felt that the BEE recognition process was relatively simple to maintain if it was monitored at frequent intervals. This is positive feedback for other advertising agencies that should still complete the process. It is true that smaller agencies may not have large resources, but the BEE recognition process is an investment, which they could not afford to forgo owing to the potential returns and other benefits of completing the process. Another truth is that many companies do not ask for BEE credentials, but it is imperative to retain these in order to obtain larger clients. It is also completely correct that the BEE recognition process is open to deception, but although the process has become more regulated, it has not yet reached a stage to completely eliminate such practises.

6.2.7 Problems encountered in the transformation process

Category 16 – Problems encountered in the transformation process

Two interviewees stated that they were not aware of any problems that their advertising agencies had encountered, but one proceeded to list universal problems of transformation. Ten interviewees identified a range of problems, which were encountered in the transformation process, were divided into eight distinct groups.

Table 6.12: BEE versus real transformation problems

Category	Responses
16.1	"Transformation and BEE are two fold and one is that you need to find partners and the other is that you need to then apply the same principles internally. If you have the BEE in name only, it does not apply internally and your employees do not feel that there is any transformation." "… my perception is that BEE is always internal. … how many lives are you actually changing by doing it? Our project is true BEE and it is not just benefiting a few. Apart from getting the project recognised or not recognised that was our biggest issue." "The discourse around this like many other discourses around South Africa it is a nonsense discourse. It is a discourse about numbers, it is a discourse about scorecards, it is about qualification, about shareholding and equity; all those things become the reduced form of a very important conversation. But that is typical of what South African has become, a reduced form of more important conversations, so that notions of social transformation are now behaviours that can be addressed in forms and as a consequence we are never going to transform unless you take a revolutionary review." "I do worry that we are not implementing this in the most scientific and the best possible way to ensure ongoing success. I worry that sometimes we have to do things and make calls to simply score…"

Category 16.1 – BEE versus real transformation problems

Four interviewees emphasised similar views pertaining to BEE, which did not result in real transformation. The essence of their feelings can be summarised as follows: BEE does not recognise or will never result in real transformation; it does not result in employees experiencing transformation; and it is not being implemented in the best way to achieve sustainable transformation. One advertising agency launched an innovative transformation project that went beyond BEE, making a difference to the lives of thousands of PDIs. However, in terms of the rigid BEE framework, it counted for naught in terms this advertising agency's BBBEE scorecard.

Table 6.13: Black staff transformation problems

Category	Responses
16.2	"There are interesting contradictions in the way that apparently politically liberated people might consider themselves in terms of processes and ideas and abstraction…I think that there is a discernable pattern in the reluctance or the apparent reluctance of previously disadvantaged employees to engage in this process. So what I keep finding is that we are unable to develop more interesting responses to things, because we don't want to move outside of tramways of the norm and this is with Black people." "I think one of the most challenging (is finding) thing is skills shortage. That's a real challenge and concern to me. Where is our focus going, how big is that pool of talent that we can tap into and how are we growing it in a sustainable way, that is the biggest challenge particularly in Cape Town. Skilled Black marketers that are coming up out of varsity, to entice them to choose a career in advertising over choosing a career in marketing is always going to be a challenge." "I am sure other agencies are having problems with the transient nature of the staff." "When we are sourcing staff, one of our constraints from an international perspective is that we can't use recruitment consultants because of the cost… as a result of that it's much harder to find Black candidates."

Category 16.2 – Black staff transformation problems

Four interviewees voiced various opinions concerning Black staff issues: Black PDIs are averse to creative thinking; there is a shortage of skilled Black staff who have creative thinking abilities, they tend to switch jobs frequently; are difficult to employ without the services of employment agencies; and are not interested in a career in advertising.

Table 6.14: Client transformation problems

Category	Responses
16.3	"What upset me the most was, a lot of big businesses expect you to be a level 2 contributor. Some of our companies are a level 2, but because they spend a lot on advertising we count a lot in terms of their procurement, but we're doing it the right way and because we don't qualify, they'll go with someone else. Other companies get in there just to address it now win the business." "I worry that sometimes we have to do things and make calls to simply score, because we are being judged by our clients and if all the focus is on just getting the score right it's going to create problems in the future." "In terms of particularly, which I think the industry is weak and we weak because we let our client dictate it to us, we target the wrong market. Why a bunch of White people dreaming up creative ideas to sell a product to a bunch of Blacks. That is a problem in our industry."

Category 16.3 – Client transformation problems

A quarter of interviewees were of the opinion that clients did not fully understand transformation, since they were merely interested in good BEE credentials or attempted to dictate what advertising agencies should do without due consideration for real transformation issues.

Table 6.15: BEE partner transformation problems

Category	Responses
16.4	"I often find that you pick the wrong partner, I would think that sometimes that could be problematic and how many people do they really know, if they are only in and networked in one industry then you only, as an agency, you are exclusive to one company per industry." "Because we've been empowered for such a long time we've gone through all sorts of challenges with our shareholders, but we're in a better place now. … you never really understand their intentions because money sits at the centre of it…" "In terms of partners, an outside entity, you encounter problems in transformation when you are not doing things internally."

Category 16.4 – BEE partner transformation problems

Three interviewees conceded that they had or could have problems with BEE partners for the following reasons: the wrong one is selected; money issues; and because they were outside entities.

Table 6.16: International ownership transformation problems

Category	Responses
16.5	"For any agency, unless they are 100% locally owned and then they get a Black shareholder on board, so any agency that has an international alignment with significant shareholding, there are complexities that are not yet resolved. How do you meet the criteria set for 2014 on an equal basis? If you are to be democratic everybody should be able to be rewarded equally." "When we are sourcing staff, one of our constraints from an international perspective is that we can't use recruitment consultants because of the cost… as a result of that it's much harder to find Black candidates." "International agencies would say they are 100% locally Black owned, but 60% of the company is owned internationally so they aren't 100% Black owned, they're 40%."

Category 16.5 – International ownership transformation problems

A quarter of the interviewees explained that the international ownership of South African advertising agencies added to complications of the transformation process, since it created the following problems: to meet certain BEE targets (in the BBBEE scorecard) would mean that little shareholding remained to incentivise non-PDIs; advertising agencies deceivingly disregarded the percentage owned by the international company to misrepresent their BEE credentials; and stipulations that are prescribed by international companies negatively impact implementation of certain BEE measures.

Table 6.17: Racial transformation problems

Category	Responses
16.6	"It sits uncomfortably with me as I'm an industry guy who is essentially working myself out of a job … otherwise you lose White people in the interests of transforming your business and it shouldn't be the goal." "Our group is predominantly internationally owned the rest of the shares are held locally…. Of that a portion are dedicated to Black staff, a portion to White staff…. So you have to consider that if you get down the road and 45% of your shares have to be held by Black staff, how do you accommodate White and Black staff? Does it mean that Black are more important than White…?"

Category 16.6 – Racial transformation problems

Two White male interviewees contemplated the reality of effectively disempowering themselves by implementing BEE measures.

Table 6.18: Cape Town versus Johannesburg transformation problems

Category	Responses
16.7	"It has not changed in Cape Town, but in Johannesburg it has. You just have to go to a restaurant and realise that we are socially integrated." "I think you've got a bigger pool of talent in Johannesburg, where the action is and the money is. It is reasonably challenging to find a constant stream of talented Black, Coloured of Indian folk in advertising, to bring in and give them a good career path in the agency."

Category 16.7 – Cape Town versus Johannesburg transformation problems

Two interviewees reported that Cape Town was less socially integrated and there were fewer talented Black staff than in Johannesburg.

Category 16.8 – Other transformation problems

Five interviewees singularly highlighted a number of other transformation problems that they had experienced: young Black talent were inclined to lose their cultural identity to fit into the predominantly White norms of advertising agencies; BEE fronting occurred in the past; interpretations of BEE legislation; the BEE process was time consuming; suppliers did not understand BEE; some BEE initiatives failed; confusion whether to use the MAC Transformation Charter or DTI's generic scorecard; and, lastly, the fact that most people are negative towards change of any form.

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Table 6.19: Other transformation problems

Category	Responses
16.8	"So we sit with a whole bunch of kids in the advertising business, who come into it and succeed in it because they are able to approximate to White models and are able to engage in it because they are able to reflect what the centre wants them to reflect. … if you speak in a certain way, if you accent in a certain way, if you recreate in a certain way, well then we've got it made, if you don't do that you end up with a series of problems. You end up being problematic in the agency, if you half understand that and then fully understand that what you do is that come into the agency and suggest that this is part of your own kind of homeland, whatever you might consider that to be. And that is the other absurd response, because you then start plugging into all forms of caricature that you suggest in your own mind is a way of reacting against it. That's short-lived." "I would like to think that when you put a non exec person on when it is outside the company they should add value in terms of experience in business. Putting garden boy, giving him share and putting him on the board is not going to give anything – people used to do that in the old days, just for the face and it's structured so that the garden boy gets nothing." "Really just the interpretations firstly." "It's taken a lot of resources in terms of time; we all have our normal tasks, so to put time aside was a bit daunting." "We do a lot from a procurement point of view, our suppliers don't get it. It's not because they don't want to, it's a bloody mission, it requires a lot of focus to do it properly." "We tried something to do with enterprise development 2 years ago and it failed, but at least we tried." "The ACA has its own charter, so there's been debate about whether we look at the charter or the scorecard." "… there are human beings that will not be positive about any change, not necessarily just transformation, any change."

Summary of responses

A third of the interviewees perceived that transformation and BEE were not strongly connected to one another, since BEE would not bring about transformation, because many were more concerned with the either mechanics and/or quantitative targets of BEE. Although one advertising agency had embarked on a real transformation endeavour, whilst improving the quality of life for hundreds of Cape Town's poorest and homeless people, however it counted for nothing in terms of BEE ratings. Main observations of Black staff transformation problems is that there is an insufficient number of skilled Black staff that have an ability to think creatively, who prefer to only do routine jobs, are actively head-hunted so that they may not stay long with an advertising agency and are generally not interested in advertising careers. These views and others are fully discussed under the EE topic.

The client transformation problem experienced by advertising agencies emanates from the first problem, which was highlighted in this category, namely that clients (companies in other industries) are more concerned with mechanics and attaining BEE quantitative targets, as opposed to implementing real transformation measures to uplift people's lives. It is evident that advertising agencies should select a BEE partner that fully understands and concurs with their corporate values, objectives and strategies in order to avoid future problems. International advertising agency conglomerates, especially with a majority shareholding, appears to hinder local advertising agencies' ability to implement BEE measures to transform, as well as to create opportunities for these advertising agencies to deceivingly misstate their BEE credentials.

Conversely, several international companies have embraced BEE by relinquishing their majority ownership to the local advertising agency, thereby advancing transformation. It is true that White males are at the bottom of the list in terms of EE, but to have two White male interviewees openly support BEE even though they, personally, would have been better off financially had they not, exemplifies what real transformation is about. However, they are justified in voicing their concerns, in terms of finding a solution to this critical transformation problem. Some advertising agencies also acknowledged that Johannesburg was far ahead of Cape Town in terms of racial integration and the number of skilled Black employees.

Several other transformation problems were alluded to in other categories, but the three most apparent ones are, firstly, confusion surrounding the use of the MAC Transformation Charter or DTI's generic scorecard. The second problem concerns the reality that young Black talent tend to emulate White role models to fit into the prevailing corporate culture and hence lose their cultural identity. The third problem is that of BEE fronting that is any attempt to bolster BEE credentials by exploiting Black staff, which ultimately obtains nothing from the arrangement. This problem was widely publicised when BEE was first introduced, but is still evident presently and is regularly punted by the press.

6.2.8   Steps to address transformation-related problems

Category 17 – Steps implemented to address transformation problems

Two interviewees stated that they were not aware of any problems; therefore they offered no answer to this question. A third of the interviewees believed that nothing could be done presently to address transformation problems. Half of the interviewees discussed steps that they had implemented or offered possible solutions to some of the problems encountered in the transformation process.

Table 6.20: Key to BEE versus real transformation problems

Category	Responses
17.1	"The thing that can be done in my view is those of us who are prepared to have an honest conversation that is a conversation that goes beyond the platitudes of scorecards, shareholding and so on, I think need to find a way to collaborate so that we make an intervention which enables people to embrace a sense of themselves which goes beyond themselves. In other words enable inflamed imaginations of people in such a way that they are able to consider themselves beyond themselves."

Category 17.1 – The key to BEE versus transformation problems

One interviewee was of the opinion that the key to bringing about real transformation was to implement initiatives that would facilitate Black people to believe that they are capable of achieving more than they believe possible and then would aspire to be even greater.

Table 6.21: Steps implemented to address Black staff transformation problems

Category	Responses
17.2	"I just think that probably the common one is because this industry is so transient, you only find senior people sort of entrenching themselves. We created more of a discretionary trust because the mechanics and admin is not problematic." "Pay them more. I do think that agencies need to have a better look and a more strategic view on skills development. This is not just about giving money to a school for Black talent. … what I think happens is that people come fresh out of college and you throw them into position, the agency gets on and busy with doing all the stuff and they get stuck there so to give them a real benefit. We are developing a training program internally…. The students go into our incubator program for six months, where they are really trained on the brands on the internal workings of the agency, how things work. Straight out of college there is still a lot of understanding missing, we are going to spend another 6 months training you before we identify your role within the agency for the best chance of success for career growth and path for you." "…the only way we can begin to shift that is to make people to consider themselves differently. Because the impediment, prophylactic wonder is the way that people consider themselves."

Category 17.2 – Steps implemented to address Black staff transformation problems

One advertising agency developed a trust to reward Black staff who remained in their employ for a certain period of time. Another advertising agency suggested (jokingly) to pay Black employees more, but then went on to discuss their internal training program in detail. The last interviewee suggested that the key was to get Black staff to think differently about themselves.

Table 6.22: Advice for client transformation problems

Category	Responses
17.3	"… we are fortunate to be ahead of the pack, when we've delivered the numbers they've said fantastic, other agencies aren't, but it isn't easy getting there it was not easy take a bit of the pain."

Category 17.3 – Advice for client transformation problems

The only solution offered for client-related transformation problems was provided by one interviewee, which was simply to attain good BEE credentials in order to keep clients content.

Category 17.4 – Advice for BEE partner transformation problems

One interviewee implied that it was important to choose the correct BEE partner who could add real value to the business.

Category 17.5 – Advice for international ownership transformation problems

One interviewee conceded that the only way that international companies could advance transformation was to relinquish a greater portion of their shareholding.

Table 6.23: How to address racial transformation problems

Category	Responses
17.6	"… if you want this to be a sustainable group or a successful group, … so that we can still equally incentivise staff Black and White staff on the same level. If you are to be democratic everybody should be able to be rewarded equally." "… and the only way to make this a success is to grow your business so everyone benefits… The goal should be to employ more people of more diverse numbers."

Category 17.6 – How to address racial transformation problems

One interviewee suggested that it was important to reward both Black and White staff equally in order to be a successful advertising agency group. Another interviewee stated that it was important to grow the advertising agency so that more Black staff could be employed, but emphasised that his should not be at the expense of losing White people.

Table 6.24: Explanation of Cape Town transformation problems

Category	Responses
17.7	"In the bigger issues there are challenges in terms of transformation. I don't want to sound like the last colonial outpost but I do feel we have positively turned it here in Cape Town." "Supposedly, the excuse people tell me is that in Cape Town we have more Coloureds and Coloureds don't go out as much because part of those Coloureds are Muslims…. Where the Blacks they drink and socialise in the same way certain White people drink and socialise, so when you come down to Cape Town I believe you not as exposed because the major portion of the population here don't socialise as part of drinking and they don't go to establishments that sell drinks."

Category 17.7 – Explanation of Cape Town transformation problems

No solutions were offered as to how Cape Town transformation problems could be solved, however one interviewee provided a converse opinion by stating that their advertising agency had managed to turn the negative situation around in Cape Town. Another interviewee believed that the transformation problems were simply owing to the Western Cape's demographics.

Table 6.25: Possible solutions to other transformation problems

Category	Responses
17.8	"If you come into the thing with a very clear sense of yourself and a very clear sense of your dignity and your humanity and you hold that high and don't allow it to be compromised you go somewhere, you enable yourself to do all manner of things. For reasons before anything else that you like yourself and you are comfortable with yourself. That is what it is about." "We were very fortunate to have resources like an ops manager and a company secretary and good financial structures at group level." "Put time aside, employed an HR executive to assist and our consulting company has been great." "We tried something to do with enterprise development 2 years ago and it failed, but at least we tried." "A lot of our suppliers are over the 5 million revenue mark so they are not exempt from it any longer. They don't understand it's not just about 26% ownership so you have to start an educational process with them, we've identified the 10 largest suppliers and we're going through this process with them."

Category 17.8 – Possible solutions to other transformation problems

The interviewee that mentioned that young Black talent emulate White cultural identity suggested that this phenomenon could be overcome if they became comfortable with themselves and had a clear sense of their dignity and humanity. Two interviewees emphasised that by employing additional staff, it eased the time burden of the BEE process and that additional staff could also implement BEE initiatives, as well as allocate time to engage in the other protracted administrative issues, which surround the BEE process. Utilisation of BEE consulting companies helped to clear up the confusion surrounding the MAC Transformation Charter and the generic scorecard, as well as other interpretations of BEE legislation. One of the interviewees agreed that some BEE initiatives failed, but implied that they learned from their mistakes. This interviewee also said that they were training their ten largest suppliers in terms of BEE.

Summary of responses

Essentially, the key to BEE versus transformation problems is to elevate Black people's self-esteem, realising self-actualisation and getting them to strive for goals, which were thought to be impossible. There is no single answer. The BEE transformation process has had its ups and downs, but the ultimate outcome is still in the making. Although the advertising agency jokingly offered their response, it is reality that Black employees that have scarce skills (particularly in the creative department), are offered higher salaries to entice them into the employ of a particular advertising agency. The same advertising agency went on to outline their internal training program, which aimed to familiarise recruits (directly from college) with the intricacies of how their advertising agency functioned and also provided career guidance.

The only resolution to client transformation problems was that the problem would diminish once satisfactory BEE credentials were accomplished. It is imperative that advertising agencies select an appropriate BEE partner who could bring real worth and add value to the business. Several international companies have embraced BEE by relinquishing their majority ownership to the local advertising agency as a means to advance transformation. Black staff should not be unequally incentivised and employed, thereby discriminating against White employees. There should be equitable remuneration packages, but in reality this is what BEE advocates and there are a number of schemes that seem to reward Black employees at the expense of White staff.

A change in the political state of affairs in the Western Cape would possibly play a role in reversing the poor social integration situation in Cape Town, but others simply believe that people from diverse cultural groups socialise differently.

A variety of suggestions were put forward to facilitate possible solutions for the other transformation problems that were raised in the previous category. Some young Black individuals are more confident and comfortable with themselves than others, and it largely depends on the person (irrespective of race). No recommendations were made in terms of how to overcome BEE fronting. Confusion surrounding complicated BEE legislation, charters and BEE initiatives can be

resolved by employing services of specialised BEE consultancies and staff. It is an inventive initiative to educate suppliers on BEE, since the advertising agency would ultimately benefit from BEE ratings that the suppliers receive as a result of preferential procurement.

6.2.9   Benefits of having BEE credentials

Category 18 – Benefits as a result of BEE credentials
Two interviewees stated that they were not aware of any benefits that emanate from their BEE credentials, but one of them went on to ponder the true value of having good BEE ratings. Ten interviewees identified a range of benefits as a consequence of having BEE credentials, which were divided into six distinct categories.

Table 6.26: Diversity of staff benefits

Category	Responses
18.1	"… in terms of diverse staff it has very obvious benefits to our business, it makes the business a lot richer, we trade in the currency of ideas and as a result of that we need to ensure that those ideas are rich, and they become rich when get a diverse bunch of people to think about things, to conjure ideas." "We're the number one most creative agency group in the country, because we have a mixed breed of incredible people. Makes it a more interesting and richer conversation telling story." "The easiest way to get rich ideas is to have good representation of these people throughout the organisation. If you have good representation you get to richer places." "The fundamental need to do so from a representation point of view because we as marketers need to acknowledge the diversity that exists here. So the benefit is in the day to day fact that you have diversity, you have diverse opinions and diverse ideas and that has got to be harnessed as an advantage." "I think that people with different backgrounds make us more culturally diverse and that at the end of the day makes you able to service clients' better. … we can actually get better insights into marketing to shape all of your campaigns."

Category 18.1 – Diversity of staff benefits
Five interviewees claimed that one of the largest benefits of BEE is having a good representation of staff, which results in richer ideas and more diverse work that enables the advertising agency to better meet the needs of clients and their target market.

Table 6.27: Other staff-related benefits

Category	Responses
18.2	"The first obvious benefit is that it is easier to attract talent." "The more direct benefit would be to our Black staff, our goal is also to empower our staff as well." "… we have an inspirational guy in our founder, for a White guy he has an incredible belief and grounded value system and made it his mission in an indirect way to look for people he likes and he grows you and it just so happens that it has been predominantly Black okes in the company that have grown." "If you've got a person of colour who is underperforming and you tell him he's got to perform or he's gone, he says you're racist, but it's not about that – that's the other dynamic and it helps if you've got a Black MD in place because he can say you're talking nonsense pull up your socks. You've been given a great opportunity, lets do something, but please do not use the race card on me."

Category 18.2 – Other staff-related benefits

A quarter of the interviewees believed that BEE credentials allowed advertising agencies to attract, reward, empower, grow and discipline Black staff.

Table 6.28: Deliberation over new business benefits

Category	Responses
18.3	"Secondly when it comes to pitching for new business…. Then they look at credentials in terms creativity and strategy will speak for you, however you need to get to a certain level before that." "I still believe clients are looking for a good creative agency first and our creativity has been good enough to retain our current clients, it was not our intention to get empowered so we could get more business." "I am not looking for the benefit I have brought in a Black partner now go and get me new business. I think we need to start recognising that benefit and not seeing benefit as instant new business, because we have some new Black faces sitting around the board room. It will continue, then you get into this debate of empowerment versus nepotism." "I would like to think that BEE is the ability to assist in getting new business. It is a social economic type of a thing and not getting new business, because you are connected with the right person. If I've been given the business because I've been recognised that I'm empowering and re-distributed wealth to a group of previously disadvantaged, that is a better reason to give me business." "We haven't lost business through having or not having this, it's the way of the future so it has to be done." "It's about a whole lot of things, it's about sustainability of the country, of the company it about delivering great products for your clients and their sustainability!"

Category 18.3 – Deliberation over new business benefits

Two interviewees felt that the advertising agency's creativity, as opposed to BEE credentials, were more important to secure new business and to retain existing clients. One of these advertising agencies added that it was necessary to be at a certain BEE level in order to gain access to potential clients. Two interviewees emphasised that it was not their intention to gain new business by implementing BEE measures, for example, by finding a Black partner. Another advertising agency was of the opinion that good BEE credentials should help them to obtain new business as they were empowering PDIs, but also not solely because they had the right BEE partner. Other interviewees divulged that they had not lost any business as a result of having good or poor BEE credentials, but that it was necessary to sustain the advertising agency.

Table 6.29: Client preferential procurement benefits

Category	Responses
18.4	"All big businesses are being measured, all our clients ask for updates regularly…" "We know our clients are also feeling the pressure to get their scores in order, we count towards their preferential procurement scores so it gives client satisfaction…" "Our 2 biggest clients have required it and 2 or 3 others, but that's not much truthfully. Eventually it will have a benefit, because of the chain effect."

Category 18.4 – Client preferential procurement benefits

Three interviewees confirmed that their clients had asked for their BEE credentials because of preferential procurement.

Table 6.30: Prerequisite for government or big business benefits

Category	Responses
18.5	"When it comes to pitching for new business, for example if you look at government entities, BEE will count more for you." "I think it was, a lot of the big companies you deal with it is mandatory. We do have local clients and felt this was very important." "In Cape Town we don't really have government business and probably one of the reasons why there has not been that much pressure, and the biggest clients will be the JSE listed ones so there's a requirement on them."

Category 18.5 – Prerequisite for government or big business benefits

Three interviewees disclosed that BEE credentials were important in order to retain and acquire government business or big companies.

Table 6.31: BEE training received from big clients

Category	Responses
18.6	"So for us the biggest factor has been that our big client has been the greatest teacher and we can see a knock on effect. It's that bigness of thinking that's helped us understand it."

Category 18.6 – BEE training received from big clients

One interviewee maintained that the greatest benefit that they received from their then-poor BEE credentials, was BEE training from their largest client.

Table 6.32: True value of BEE credentials debate

Category	Responses
19	"Does a difference between a scoring of 5 and one of 8 make a difference to whether I get the job or contract or not? So there's a bit of a gap in understanding how much does it really count. I know you have to have a certain minimum score before they'll even look at you, but how much does that count in relation to other things? It becomes a numbers game for procurement people, but if you look at tenders over R500 000 they work on the 90/10 principle or 80/20, and the truth is that the BEE component of that is only 10, which in the greater scheme of things is not really counting much. So does it matter if I'm BBB or AAA?" "… there will always be people that push the law as opposed to the spirit of the law so there'll always be people that try use the system to their advantage, but even if that's the case it has to have an overall positive effect for the country."

Category 19 – True value of BEE credentials debate

One interviewee pondered over the value of having good BEE credentials in terms of whether they would really make a difference in acquiring new business. Another added that there would always be individuals that attempted to use BEE to their advantage as opposed to real transformation, nevertheless, it would still benefit South Africans.

Summary of responses

Advertising agencies listed multiple benefits and generally the greater their BEE credentials, the more benefits were highlighted. Two advertising agencies were not aware of receiving any benefits from their BEE credentials (which were amongst the lowest). The diversity of staff benefit was a fulfilling finding, as this was one of the problems raised at the parliamentary hearings, while it is positive that nearly half of the interviewees view this reality as a major benefit of BEE. Good BEE credentials have numerous benefits that aim to uplift Black staff, which is one of the primary reasons for development of BEE. There were varied and similar opinions concerning the benefits of BEE credentials in terms of retaining existing clients and acquiring new business. Most thought that it was necessary to have some level of BEE credentials, either to retain existing clients or to be granted access to pitch for new business. However, these were not seen as reasons why advertising agencies should be awarded new business, but rather factors such as creativity or because they empowered Black PDIs.

A third of the advertising agencies recognised that BEE credentials were important to their clients because of preferential procurement and consequently kept their clients satisfied, although it was disappointing that only a small number of clients requested BEE credentials. A quarter of the respondents acknowledged that having BEE credentials was essential if their advertising agencies desired to pitch or retain big clients (such JSE listed companies) and lucrative government business. The advertising agency that received BEE training from their client resulted in this advertising agency climbing four BEE contribution levels in the last couple of years, as well as passing on this benefit by, in turn, educating and training their top suppliers in terms of BEE. This is beyond a doubt what real transformation is about. The fact that some advertising agencies only view BEE in terms of acquiring new business or whatever they can get out of it, is disappointing, as this indicates that they do not fully understand the true value of having a transformed company.

6.2.10   Incidence of ACA membership
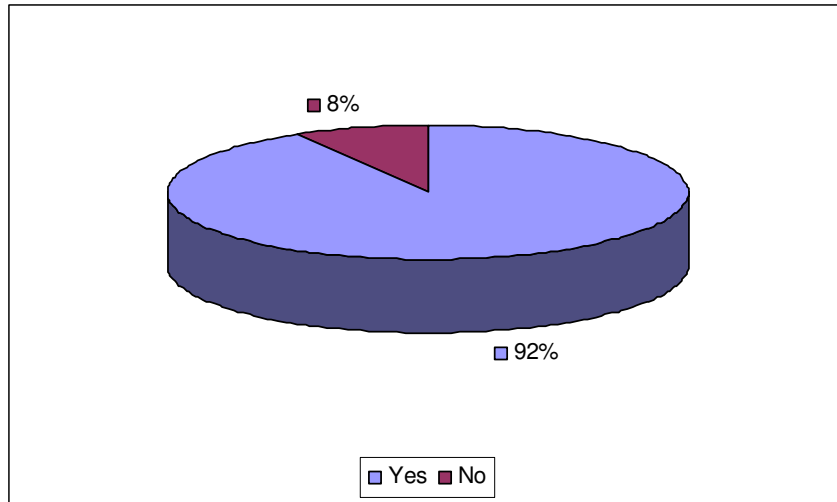
Figure 6.5: ACA membership

Eleven interviewees confirmed that their advertising agencies were members of the ACA and one added that they personally served on the ACA board. One interviewee disclosed that their advertising agency was not a member of the ACA.

Summary of responses

It is an encouraging finding that a vast majority (eleven) of the advertising agencies are members of the ACA, since they have been the driving force of transformation in the advertising industry. The single advertising agency that did not hold ACA membership believed that costs were not worth the benefits, while they also did not regard themselves as an advertising agency, but as marketing optimisers.

6.2.11   Awareness of MAC Transformation Charter scorecard targets
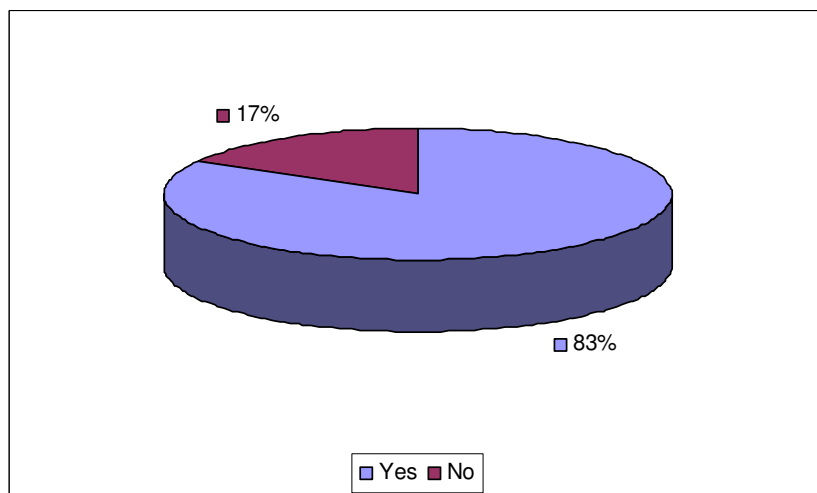
Figure 6.6: Awareness of targets in the MAC Transformation Charter scorecard

Ten interviewees acknowledged that they were aware of the targets in the MAC Transformation Charter, while the other two were not aware of them.

Summary of responses
A vast majority of advertising agencies (ten) were aware of the MAC Transformation Charter's scorecard targets and two were not, since they were either not a member of the ACA or the interviewee had recently been employed by the advertising agency.

6.2.12 Attainability of MAC transformation targets

Three interviewees clarified that they had already achieved the 2009 targets, while five implied that it was their intention to comply, and two stated that they were uncertain as to whether they would be able to attain the targets and, as already mentioned, two were not aware of the targets.

Category 20 – Issues or uncertainties relating to the MAC Transformation Charter and/or targets
All interviewees that were aware of the targets mentioned hindrances in attaining them, as well as uncertainties pertaining to the MAC Transformation Charter and other related reservations.

Table 6.33: MAC Transformation Charter has not been ratified

Category	Responses
20.1	"I have, if it is not gazetted as in this case, there is really not much the agencies can do." "… until it is ratified I don't know which companies will be motivated other than bragging rights…" "… once it is published and ratified we will evaluate to see whether, how close we are to this industry charter." "We're trying to comply with the industry charter, but it hasn't been formalised yet." "Waiting on the MAC Transformation Charter to be approved…"

Category 20.1 – The MAC Transformation Charter has not been ratified
Five interviewees observed that the MAC Transformation Charter had not yet been gazetted.

Table 6.34: International ownership constraints inhibit MAC Transformation Charter targets

Category	Responses
20.2	"In some instances we can't because we're part of a global network and there are restrictions primarily around ownership and our issues are particularly stringent, it's more of a challenge in our network." "… I think the interesting discussion will be about ownership based on what I've already told you, because it will be a pain in the butt." "… it's a very difficult one because we live more and more in a global world and our mother company wants bigger ownership because Africa is a huge opportunity for everyone. Under huge pressure for them to buy back ownership." "If you have an international partner that owns 50% and you are aiming for 40% according to the charter then what is left for anyone else who started the agency and that's the difficulty of the charter."

Category 20.2 – International ownership constraints inhibit MAC Transformation Charter targets

Four interviewees stressed that international ownership constraints made it difficult for the local advertising agencies to attain charter targets in terms of ownership.

Table 6.35: Differences between MAC Transformation Charter and DTI's generic scorecards

Category	Responses
20.3	"It varies, some things are weaker. I know previously on the BBBEE scorecard there was a lot more differentiation for Black women as opposed to the charter that will probably affect what they want to improve and are adding towards." "Waiting on the MAC Transformation Charter to be approved and I think there is 5 pillars not 4 for the industry between 5 - 35 million..."

Category 20.3 – Differences between MAC Transformation Charter and DTI's generic scorecards

Two interviewees revealed that there were differences between the MAC Transformation Charter and DTI's scorecards.

Table 6.36: MAC Transformation Charter versus DTI's generic scorecard

Category	Responses
20.4	"The ACA has its own charter, so there's been debate about whether we look at the charter or the scorecard. The charter was developed prior to the government publishing what they believe was important and with the industry felt what they felt the government would find important. So now I think the one developed by the government is the one to follow, but having said that you don't want to have an attitude once we've achieved that we okay. I think the charter is an important consideration in the long-term, because I would imagine, pure speculation that as everyone starts to use the scorecard and as they progress they will look to develop it further and various measurements will change and be approved."

Category 20.4 – MAC Transformation Charter versus DTI's generic scorecard

One interviewee explained that there had been a fair amount of debate as to whether the charter or scorecard should be used and came to the conclusion that the BBBEE scorecard should be utilised presently, but that the MAC scorecard was important for the future.

Table 6.37: Economic climate may hinder MAC Transformation Charter targets

Category	Responses
20.5	"We still have a way to go to reach the targets, the difficulty comes now, if we are hitting tight times, whether it is a recession or not and not seeing massive growth and not employing a lot of people and not replacing a lot of people, how do you meet the targets if you're not there, because agencies don't make huge margins so you can't afford to carry people and you can't just dump people to get the right ratio, you also need a skill set to pass down skills. If we had growth options in a growing economy it would be no issue, but there are probably going to be hard times in 2008 and 2009 it going to be hard to reach the figures, but those numbers are fair. For the agencies that don't have those numbers in place it's going to be difficult to make sudden changes."

Category 20.5 – Economic climate may hinder MAC Transformation Charter targets

One interviewee was of the opinion that a poor economic climate may make it difficult to attain targets, which are set out in the MAC Transformation Charter.

Summary of responses

Two-thirds of the advertising agencies aimed to comply with the MAC Transformation Charter targets, with a quarter already achieving the 2009 targets, while a few were uncertain if they were able to achieve the targets. All the advertising agencies raised issues, uncertainties and reservations about the charter and/or targets. The MAC Transformation Charter had not been gazetted at the time of the interviews, resulting in several advertising agencies adopting a wait and see approach, thereby impeding the industry's transformation process to a certain extent. Recurrence of the same international ownership-related problem, which is cited in prior text, indicates that international ownership can adversely influence attainment of transformation targets. There are some differences between the MAC Transformation Charter and BBBEE scorecards, but several of these were largely harmonised by the ACA before submitting to DTI. Advertising agencies should follow the DTI's generic scorecard until the MAC Transformation Charter has been gazetted in terms of Section 9. A poor economic climate will not only inhibit advertising agencies from achieving MAC Transformation Charter targets, but also dampen transformation across all industries in SA.

6.2.13 Advantages of attaining MAC transformation targets
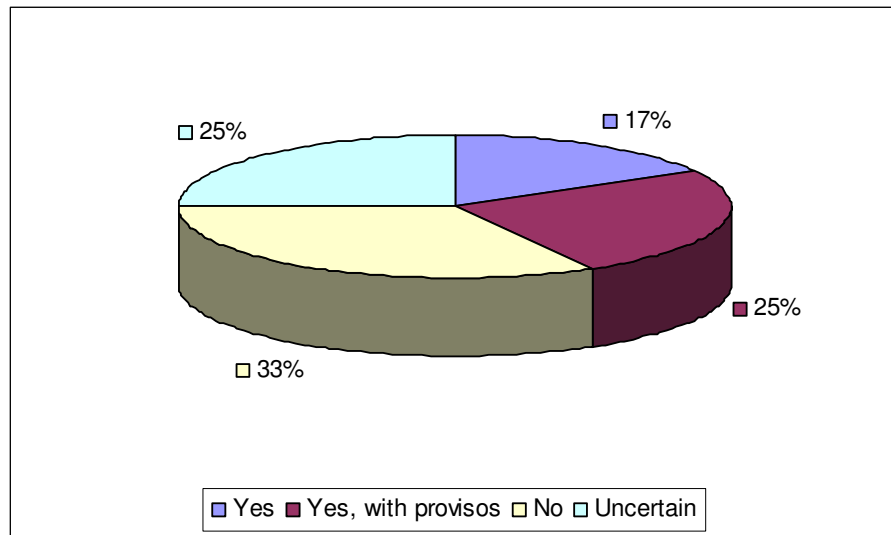
Figure 6.7: Advantages of attaining MAC transformation targets

Two interviewees agreed that there were advantages such as client retention, new business, gaining access to pitch for business and that it was good for the advertising industry. Three interviewees

agreed that there were benefits, but also stressed that particular conditions should be met such as promotion of real transformation. Four interviewees did not believe that there were any advantages, because either the charter had not been gazetted or creativity was more important for attainment of new business than BEE credentials. The other three were uncertain as to the merits of achieving the MAC transformation targets.

Table 6.38: BEE versus real transformation proviso to MAC targets

Category	Responses
21	"… if it is encouraging transformation, giving people equal opportunity, I don't know that yet, I'd like to think those targets are to get us to that point. If it's done honourably by everyone then I would go fantastic, because it will add to a whole new democracy, the country and will change so many things, employment, education the crime. … but it's been abused by a select few. Smokling behind the scenes, no broad understanding." "We feel it's important to target issues of transformation, making a difference in people is more of a driver than getting 10 out of 10." "Are we just furthering a small group of very wealthy guys at the top or are we making a difference, because that's what we should be doing and should be transforming the country and providing more opportunities for people." "I think the downside is very often people come to understand that the transformation project is completed when the scorecards are handed in. I think that the industry is very very far from having transformed. A couple of posh Black people in posh suits and posh cars and I think that they will report transformation."

Category 21 – BEE versus real transformation proviso to MAC targets

The three interviewees who maintained that certain stipulations should be met, all raised issues concerning BEE versus real transformation debate and another interviewee who replied affirmatively, also made a statement concerning this issue.

Table 6.39: BEE may not be the answer for real transformation

Category	Responses
22	"Where I am going with this I think that there is a value, we engage in that value from a business point of view, in other words managing directors of the various companies understand that they need to have a certain set of numbers which allows them to at least go into the water, they operate their business in such a way, they are concerned with those things that this does not mean that they become part of a process of transforming an industry. The transformation of industry requires a different transformation process and the industry is unfit to engage in battle for that process. I don't mean that in an arrogant way, that is the reality." "By 2014 or 2015 they say BEE will be annulled, democracy will have been in place for 21 years and kids will have grown up in a different society where BEE was already in place. I support that completely, because it becomes fair again and if it hasn't worked by then we need a different approach. BEE is only one solution to transformation."

Category 22 – BEE may not be the answer for real transformation

Two interviewees implied that BEE may not be a solution to real transformation and that other unspecified means should be considered.

Summary of responses

Advantages of attaining the MAC transformation targets were client retention, gaining access to pitch lists, acquiring clients and noble causes such as "it's for the good of the industry". A quarter of the advertising agencies were uncertain if there were advantages, whereas a third of the advertising agencies believed that there were no advantages, largely owing to the fact that the charter had not yet been gazetted. A quarter of the advertising agencies emphasised that equal opportunities should be provided and a difference should be made in people's lives, but stipulated provisos such as the fact that it should not just be about the quantitative targets or it should not be misused by the agencies for their own benefit. One advertising agency believed that targets and scorecards had merit, but do not help to transform the industry. Another felt that BEE should be scrapped after 21 years, because if it had not worked by then, another option should be considered. Therefore, the rhetorical question as to what else can be done to really transform the advertising industry, must be asked.

6.3 BBBEE ownership

Questions were specifically asked about the BBBEE ownership element in terms of structure, benefits, problems and best practice. This BBBEE element provided in-depth data of both a qualitative and quantitative nature and there is a significant degree of overlap with the first topic on overall transformation and BEE. This is the first of the two BBBEE elements that were measured by the ACA nearly a decade ago. It provides valuable insight into the extent to which advertising agencies have embraced and complied with BBBEE ownership in terms of DTI's scorecard and/or the MAC Transformation Charter's objectives.

6.3.1 Advertising agency BEE ownership structures
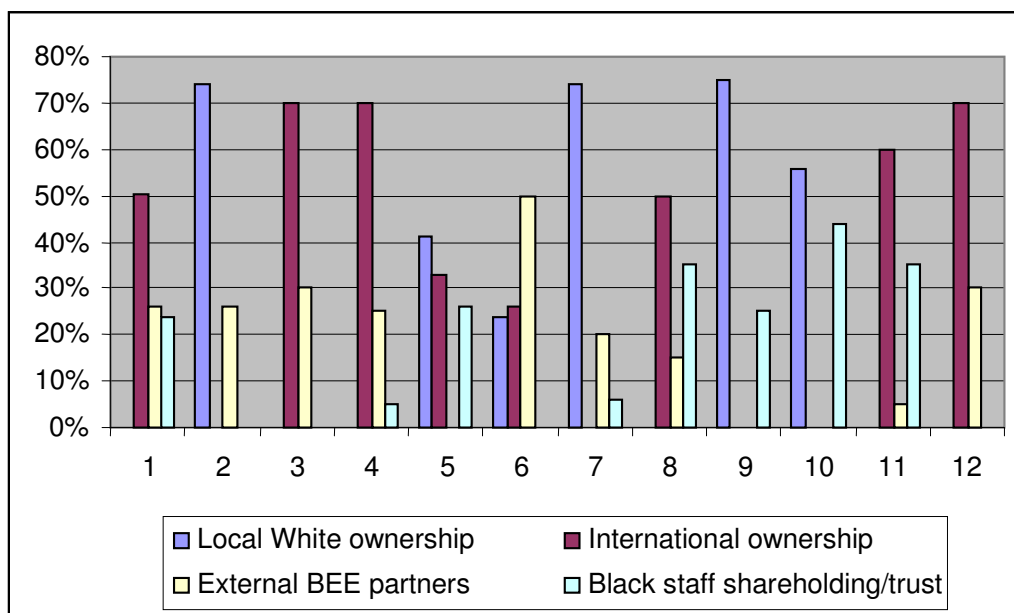
Figure 6.8: Ownership structures of twelve Cape Town advertising agencies

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Five Cape Town advertising agencies are majority-owned (greater than 50% shareholding) by international advertising groups, four by local White shareholders and one that is majority Black owned. Another Cape Town advertising agency has 50% Black ownership, while the last advertising agency has a comparable spread of White, international and Black ownership.
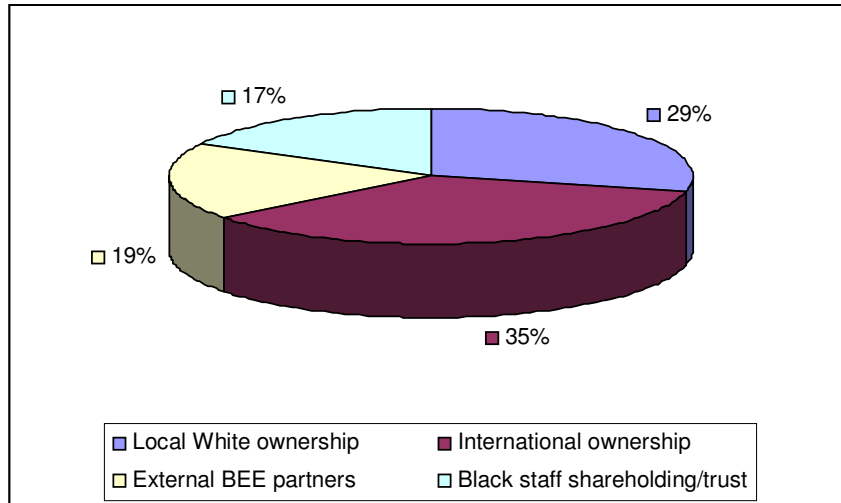
Figure 6.9: Ownership structures for advertising agencies in Cape Town

Advertising agencies' ownership in Cape Town is collectively structured as follows: international ownership comprises 35%, local White shareholding 29%, BEE partners 19% and Black staff shareholding or trusts 17%. Therefore, total Black ownership for the top twelve advertising agencies in Cape Town comprises 36% (19% + 17%).

Table 6.40: Reasons for high incidence of international or White ownership of Cape Town advertising agencies

Category	Responses
23	"The international agency group are the major shareholders of the company, they are over 50% so first and foremost they are not going to tolerate too much money being left in the company, because they need to get their share out of the company. They only get their money out by dividends, it is per share, and that will go into the dumping ground." "Unless we are owned by the international agency then they can't reflect these figures in their books…" "Starting the business from scratch it's not always easy to give away a share of your business, but they are passionate about transformation and wanted to find some who has advertising at there heart."

Category 23 – Reasons for high incidence of international or White ownership of Cape Town advertising agencies

Two interviewees mentioned that international advertising groups can only obtain their ROI via dividends and cannot reflect the Cape Town advertising agency in their financial statements if they

do not have a majority stake in the advertising agency. One interviewee believed that it was difficult for locally White-owned advertising agencies to give up a portion of what they had started from scratch.

Table 6.41: BBBEE ownership given away without payment

Category	Responses
24	"That was another unique thing, we never sold it, we gifted the shares." "In this BEE partner's case they don't pay for their shares, the shares are paid for out of dividends."

Category 24 – BBBEE ownership given away without payment

Two interviewees revealed that their advertising agencies had given away a percentage of their shareholding at no cost to advance BEE.

Table 6.42: Black staff trusts configurations

Category	Responses
25	"A percentage is held by the trust and the trustees of that equity trust work for us and they qualify after being here for longer than 3 years. There are over 20 of them on the trust, the staff changes every year, depending on if their reviews are good and it works on a points system as well, so they get paid dividends every year of which a percentage gets kept back and put in a savings account for if they leave. That was another unique thing, we never sold it, we gifted the shares." "The aims of the trust are to benefit the lives of Black employees, not necessarily in direct financial, but we are trying to develop bursary schemes for the children of staff. Improving lives at basic levels, for example in Johannesburg where the staff complement is bigger we've bought a bus for transporting staff ourselves; we work weird hours, instead of expecting them to use public transport at ungodly hours." "It is a discretionary trust which holds theoretically a list of all the PDIs or non Whites in the company. I say it is discretionary, as no one is allocated a share or percentage, it is discretionary about who it will pay out, it is not discretionary in terms it will pay to White people. Any non-White person who works for the company will then share in the earnings of that company; they don't own a share, capital share of the company. They will get dividends, whenever dividends are declared…. The discretionary trust pays a certain percentage to: Every Black PDI based on a formulae that includes salary level and length of service, a discretionary pool that is only Black PDIs, a discretionary pool that includes Black PDIs and non-Black staff (this is to address fairness to staff and also the superstars) and a training pool for Black PDIs to pay for courses/training."

Category 25 – Black staff trusts configurations

Three interviewees explained in detail how their advertising agency's Black staff trust was organised.

Summary of responses

It is noteworthy that only one of the top twelve agencies is majority Black-owned and another has 50% Black shareholding, compared with the 75% that are either predominantly internationally or White-owned. Eight agencies have an incidence of international ownership (the collective average was 35%) and six have some local White ownership (29%). Three quarters of the advertising agencies have external BEE partners, whereas eight have a certain degree of Black staff shareholding (19%) or a trust (17%). Seven advertising agencies' ownership structures comprised

of three elements, while the other five consisted of two. The unforeseen finding was the high degree (75% of agencies) of Black staff shareholding or trusts, since only two of these received a significant amount of publicity, mainly because they were the largest advertising agencies in SA. The expectation was that Black ownership prevalence in the Cape Town advertising industry would be higher than 36%.

The main reason why international advertising agency groups refuse to give up a majority stake in the interests of BEE, is because without it, they would not be able to reflect SA advertising agency figures in their consolidated financial statements. The other reason is that the only way they can get money out of the country, is via dividends declared by the SA advertising agency.

White owners are generally the founders of advertising agencies and, therefore, find it difficult to give up fruits of their hard labour. One advertising agency gave away a fifth of their shareholding to a Black staff trust free of charge and another conferred a quarter of their company to an external BEE partner for nothing (the shares were paid out of dividends). The trusts benefited a varied number of Black staff in a range of capacities. One trust served to motivate all of the longer serving Black staff of the advertising agency to work hard in order to provide them with an opportunity (roughly a 1 in 4 chance) to get on board, where they would receive financial benefits in the form of the advertising agency's dividends for that year. Another advertising agency opted for a trust that did not necessarily benefit Black staff directly, but helped to improve their lives in other ways, for example, a bus was purchased to transport them home when working late and bursary schemes would be implemented the Black staff's children. The third trust is a true reflection of transformation, since it benefited all Black staff financially and in terms of training, while it does not fully exclude White staff for excellent work.

6.3.2   Difficulties in securing BEE partners and/or establishing Black staff trusts
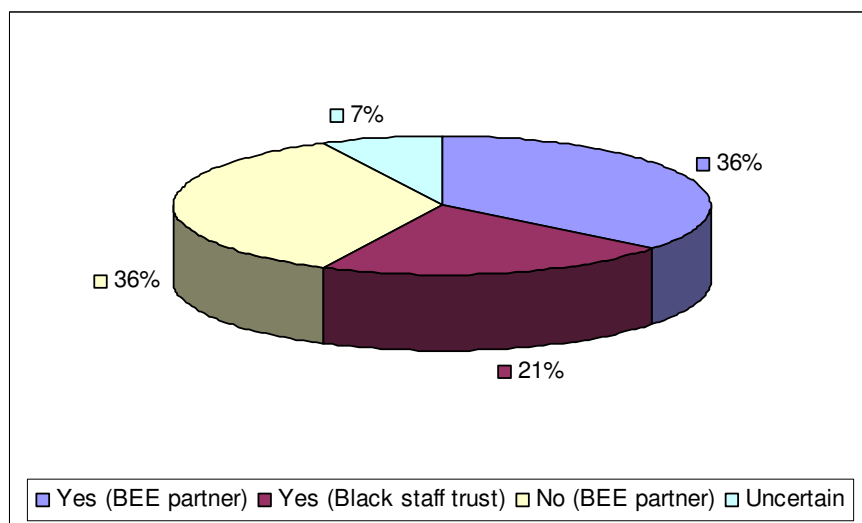
Figure 6.10: Difficulties in obtaining BEE partners and/or establishing Black staff trusts

Five interviewees felt that it was difficult to find a suitable BEE partner, although the same number thought that it was not. Three interviewees believed that it was a complex process to establish the trust and one was uncertain whether it was, since it predated her time at the advertising agency (two interviewees provided separate answers for both the BEE partner and Black staff trust aspects of this question).

Category 26 – Reasons for difficulties with obtaining a BEE partner and/or establishing a Black staff trust

Table 6.43: Reasons for difficulties with obtaining a BEE partner

Category	Responses
26.1	"It was difficult in that the guys in Cape Town were more proactive in the beginning and then suddenly one of the very large clients in Johannesburg put pressure on the Johannesburg agency and suddenly they got quite involved. So the deal was that Johannesburg would do their deal first and then they would do our deal, so our frustration was waiting for them to do their deal. This took a long time and put pressure on us, because we could not do anything." "… we were careful not to do empowerment with one or two people, because that's not true empowerment. The objective was to do true empowerment and it took a while to get the right people on board. Lots of chats with lots of people, it was quite a tough and lengthy process." "We didn't want to go out and just sell to anybody, because we had people knocking on our doors, investment companies and large BEE conglomerates. We didn't want to lose focus, we wanted to find someone who had the same drive and passion as our agency. It wasn't easy to find the person, we had our knocks on the way. The difficulty was finding a partner that was passionate about the industry, not someone who just sat down and watch his investments grow." "Especially one thing that happens quite quickly when you started a business or agency you forced to try and get a partner as quickly as possible as it is a barrier to entry. What happens is that process of having to get empowered quite quickly is that you could choose the wrong partner and that could have a whole lot of ramifications to it." "Yes, it's extremely challenging and difficult, it's a long process identifying, short listing, meeting, agreeing on, scope, costs, rewards, due diligence. Where do you start…? Can't look in the phone book for BEE partners."

Category 26.1 – Reasons for difficulties with obtaining a BEE partner
All five of the interviewees inferred that it was a long and taxing process because they were selective in terms of choosing a BEE partner for a multitude of reasons.

Table 6.44: Reasons for problems with establishing a Black staff trust

Category	Responses
26.2	"It's been problematic, there's a lot of work being done around it…. There's been quite a few staff turn over in terms of trustees, but I think the aims and principles are sound, I don't think the beneficiaries are necessarily benefiting yet in the wider sphere." "It took us 5 years to put it together, it was a nightmare, because a large potion of our group is owned by the international agency group, now you try to explain to the international agency that you are giving away a percentage of your company to an equity trust!"

Category 26.2 – Reasons for problems with establishing a Black staff trust
Both interviewees felt that it took a great deal of effort to put the trust together and to maintain it.

Summary of responses

Five advertising agencies observed that it was a difficult process to find a BEE partner, whereas an equal number believed that it was not a difficult process. Two of the advertising agencies that disclosed that it was a relatively simple process, mentioned that their BEE partners (one external and the other a staff member) had been involved with their agencies for a long period (over a decade), hence it was a natural progression. The interviewee, who was the BEE partner in one advertising agency, inferred that it was also a swift succession of events and a relatively straightforward process from both sides. All three of the advertising agencies that have Black staff trusts implied that it was a complex process to establish them. All of the advertising agencies that responded affirmatively felt that it was a lengthy and demanding process to find a BEE partner. They offered the following explanations: they were required to wait for the larger Johannesburg office to first conclude their BEE ownership deal; they wanted to find a BEE partnership that would benefit many people; and they needed a BEE partner that would be passionate and contribute to the advertising agency. It could have several detrimental consequences if the wrong BEE partner was chosen too hastily. Also, it was a complicated process to initiate - where do you start searching for a suitable BEE partner? One advertising agency acknowledged that they experienced difficulties in retaining trustees, which had resulted in the trust not benefiting everyone yet, whereas the other advertising agency felt that the main difficulty was to persuade the international company to give up a portion of the advertising agency for nothing. The third interviewee was not fully able to answer the question (since he had been recently employed by the advertising agency), but implied that it was a complex process to establish a trust.

6.3.3 Benefits of acquiring BEE partners and/or setting up Black staff trusts

Category 27 – Benefits of BEE partners and/or Black staff trusts

Table 6.45: BEE partners result in pitch list benefits

Category	Responses
27.1	"… or getting on to pitch lists down the road." "It overcomes the barrier to entry with customers…" "There are business benefits, you won't get onto pitch lists…" "So it hasn't had any real affect other than it allows us to play the game. It is the ticket without the promise. We have to go to build the prize." "Apart from the obvious benefits, in terms of client pitches…"

Category 27.1 – BEE partners result in pitch list benefits

Five interviewees suggested that having a BEE partner along with consequential credentials, assisted them to get onto pitch lists.

Table 6.46: Other BEE partner benefits

Category	Responses
27.2	"When you say direct benefits, it takes me back a few years to when our BEE was officially implemented so at an executive level companies were trying to identify and recruit top Black EE partners and first and foremost benefits they would be looking for is new business introductions and/or new business procurement. I think that is one level, it was just superficial…" "It could be client retention, getting client business…" "The first benefit is if you need assistance … whether you are looking for a senior Black person, you can phone and he is very accommodating for recruiting." "I think the obvious benefits are that we do achieve economies of scale we have made a bigger cake, we have added value to our shares. He has got a very keen interest in making numbers work well and the managing directors of the various firms all do a superb job running those firms, in challenging environments. So I think the benefits to him are exactly the same as the benefits to me. It is we have claimed a bigger thing."

Category 27.2 – Other BEE partner benefits

A diverse range of other benefits were listed as a result of having a BEE partner such as new business, client retention, recruitment of new staff, economies of scale, appreciation of share worth and improved staff proficiency.

Table 6.47: Black staff trust benefits

Category	Responses
27.3	"People are hard on themselves and push themselves, because now they know they can go beyond their salaries. They know in order to qualify up against another 100 and limited number will qualify for the trust. It's upped their work ethic and perfectionism. There's no other incentive like this in the country."

Category 27.3 – Black staff trust benefits

One interviewee confirmed that the staff trust motivated staff to work harder.

Summary of responses

The fact that having a BEE partner assists advertising agencies to get onto pitch lists was an expected response, since it is one of the largest elements of the BBBEE scorecard that would otherwise negatively impact the advertising agencies' BEE credentials if they did not have a BEE partner. However, two advertising agencies also disclosed that in recent pitches they were either not asked for their BEE credentials or it was only viewed as a minor criterion. Other BEE partner benefits included the fact that two advertising agencies again mentioned receiving new business as a result; and one of them also felt that client retention was a benefit. Another advertising agency stated that the BEE partners could be freely contacted to assist with recruitment of new Black staff, while the fourth advertising agency reported that economies of scale, increased value of shares and staff expertise were additional benefits as a result of a merger. The Black staff trust inspired the staff of one advertising agency to strive for perfection in their work performance in order to become a beneficiary of the trust.

6.3.4   Problems of having external BEE partners
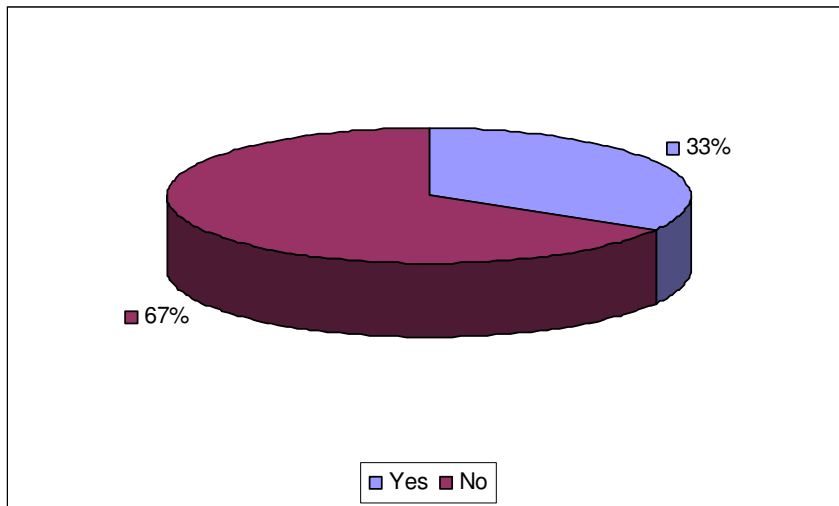
Figure 6.11: Frequency of external BEE partners that cause problems

Eight interviewees were of the opinion that their existing external BEE partners have not posed any problems, while the other four listed a variety of problems as a result of having a BEE partner.

Table 6.48: External BEE partners and Black staff shareholding problems

Category	Responses
28	*Has your previous partner fallen away?* "He has, he was in our plans, in fact our Johannesburg office was empowered through his funds, he had a percentage shareholding in there, but he is now MD for a large advertising agency, so we've had to sell his shares on to the same partner we are using in Cape Town. It's the nature of the industry." "We have an ongoing battle with our BEE partner in terms of are they a silent shareholder or a shareholder that has a say in the business. Our understanding is that they bought into the business and are entitled to their views and extract information, but weren't involved in the day to day management of it." "The need from their point of view was financially related, not necessarily in the best interests of the business that was what created confusion. As management of the business we have to look at long-term sustainability of the business and what cash is required to stay sustainable and a business is able to growth versus the need to pay out profits. It depends what ROI means to the shareholders, is it long-term or short-term?" "It's tough when you look at our partners and someone like Ogilvy has Grasso and Hunt Lascaris has Ramaphosa, it's a no brainer as to who's going to have more influence on the business in general." "But our challenges came from board meetings where we'd talk about corporate governance for the entire board meeting, that's important, but it was like a bible – thou shalt not put your hand in the cookie jar and should follow these procedures and we've always run an ethical business. I think a lot of our shareholders were academic and had never lived in the commercial world – they will know your policies better than you." "The biggest challenge is a lack of understanding of what we physically do and how we create work, that's the challenge, the marriage of understanding what the business is about and why people work in it in the first place and then these other people who are academic about making money." "I put more than a decade of my life into this business and own a tiny percentage of it, it's a dividend of thousands a year, if our country was not what it is I would probably be a large shareholder and take out a millions a year. I'm taking all of the pain. In one of our BEE partner's case they don't pay for their shares, the shares are paid for out of dividends, then you get lambasted in a board meeting about stuff and you go what do you mean, you're sitting here and have done squat and are making money for nothing and you have the audacity to say I'm corrupt in the way I'm doing something." "A big agency has a structure whereby you have shares in the holding company and they did not have a PDI trust or anything like that…. John can own shares. So when John leaves, they have the problem of all the admin issues. It is a long process 36 months later you are still paying a Black shareholder money for them leaving. Ours does not get messy like that."

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Category 28 – External BEE partners and Black staff shareholding problems

Four interviewees listed a diverse range of problems (for example functional, financial, influence, experience and true value concerns), which are associated with having a BEE partner, including one who outlined a problem concerning Black staff shareholding at another Cape Town advertising agency, where he was previously employed (this advertising agency believed that there were no problems).

Table 6.49: Endeavours to solve BEE partner problems

Category	Responses
29	"One of the core focuses of our CEO this year is trying to define what the expectations are from both sides. In our Johannesburg office we cleared a wing of the agency for two of the major shareholders in our BEE partner's company to base themselves in the agency, but they never operated from there, which we were disappointed about because it would have been more inclusive for both parties." "… we had a difficult period and both parties went into a bosberaad, went away, and it was very good. Coming out if it was not completely solved, but it was a bit of a truth and reconciliation exercise. It was fascinating to you had a better feeling to be on either side. The funny thing is a lot of our Black brothers didn't realise a lot of the White blokes also went through pain, they did not physically feel it, but it was not a very comfortable place to be in the world and okay you guys are trying to facilitate change. We both learnt and both came into the thing with very fixed ideas, and no-one's ever said this, but we left with giving a bit and found a bit of common ground."

Category 29 – Endeavours to solve BEE partner problems

Two interviewees reported strategies that they had utilised in an attempt to resolve certain problems with their BEE partners such as making space for them at their offices and spending time with them in an effort to help to understand one another.

Summary of responses

Two thirds of the advertising agencies did not have problems with their BEE partners, although one advertising agency added that there was a fair degree of nervousness on both sides at first when obtaining the BEE partner, while another stated that there would be a problem if they had not made progress in terms of their Black shareholding in three year's time. Problems listed by advertising agencies concerning external BEE partners included the following: left for a larger advertising agency; suddenly wanted to change their role and get more involved in the operations of the advertising agency; conflict of interest in terms of financial issues by seeking fast short-term rewards; some add more influence and value than others; inexperienced shareholders focus on inconsequential issues; do not understand the advertising business; and do little for the money that is made for them. One ex-employee of a large advertising agency observed that when a Black shareholder left the advertising agency, they were paid out over 36 months for their shares, which resulted in a long and costly process.

Two advertising agencies disclosed possible strategies to overcome some of the problems. One advertising agency made space on their premises so that the BEE partners could work more closely with them and actively get more involved in the business, but the BEE partner did not whole-

heartily take them up on this endeavour. Another advertising agency's management team and their BEE partners went away together to help smooth out some of the problems that they experienced with one another. The outcome was positive, since it gave all of them a better understanding of one another that would ultimately help to resolve future problematic issues.

6.3.5 Intent of advertising agencies to increase Black shareholding
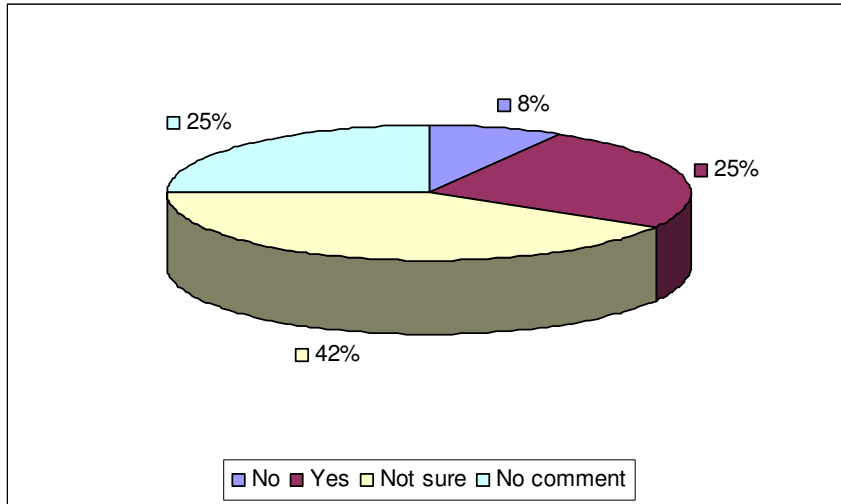
Figure 6.12: Intention to increase Black ownership percentage

Five interviewees were uncertain for various reasons, three answered affirmatively, three could or did not comment and one implied that they will not increase their Black ownership percentage.

Table 6.50: Reversal and reimbursement of BEE shareholding

Category	Responses
30	"We are taking those targets from the MAC transformation, however if you remember a lot of our White senior managers had to lose their shares so that we can be able to do the deals. So in 2009 we will be giving back shares, because now we have achieved our goal so we giving back shares to some of those people that are still here so that they can continue to benefit from the company. It is not a one sided approach to empowerment. We understand and we partner the value of what our White colleagues are to us. However, when they had to loose their shares none of them left the company, which means they were committed to the company in the first place. For them it was not a monetary benefit. They understood the value of having empowerment partners."

Category 30 – Reversal and reimbursement of BEE shareholding
One interviewee announced that her advertising agency would pay the White managers back by returning the shares that they had given up for the sake of BEE.

Summary of responses
A notable number of advertising agencies (five) were not sure whether it was possible to increase their agencies' percentage of Black ownership. Two advertising agencies hoped to increase their

Black staff trust percentage and a third of the advertising agencies also expected to start a trust by using a portion of their current BEE partner's shareholding, but all of them also raised challenges. A single advertising agency stated that they would not be increase their Black shareholding, but implied that they would in fact reduce it. White managers were forced to give up shares to enable BEE progress, but would receive the shares back, since targets of the MAC Transformation Charter had been comfortably achieved.

6.3.6   Challenges of increasing Black shareholding

Table 6.51: Challenges to increase Black shareholding

Category	Responses
31	"… we might have to go back to our international company, if you want this to be a sustainable group or a successful group, maybe you need to relinquish some of their share holding so that we can still equally incentivise staff Black and White staff on the same level. Otherwise White staff are being incentivised through bonus schemes and money and Black staff through shares..." "I don't know, intuitively I would think not because as a model out international agency group owns the agencies that they own via majority ownership or completely, there needed to be a special dispensation to get our current BEE ownership percentage outside of the global network." "They may start to get sticky around 51% to 49% they probably wanted to maintain management control at 51%." "Ownership is the hard one because it involves money and ultimately there has to be a trade somewhere along the line and both have to believe they've won because if they feel they are going to lose out they are not going to do the deal." "The only thing we will debate is the ownership component. The founder owns 25% of this company and he built it, would you just want to give up your shares as it not quite reached maturity? It's growing constantly so it's his investment, because he's put his life into this thing." "Y&R has also found challenges working with partners, dealing with lots of small partners must also be difficult for them."

Category 31 – Challenges to increase Black shareholding

Five interviewees confirmed that international ownership was the principal constraint. An interviewee noted that it was difficult because it involved money, one continued with this thought, stating that it was hard to give up something that one spends one's life building, and another added that working with several small partners was also difficult.

Table 6.52: Other ways to compensate Black staff besides shareholding

Category	Responses
32	"Of course there is other ways to grow and reward good Black talent through really transparent profit share, bonus schemes, etc so equity is one way of sharing the money, but it is not the only way. I think the 7 pillars give us a much broader framework to share we are going about this in the right way. It's not about shareholding…" "We need to find someone who is passionate about the advertising agency, who can see the potential in the end and we are not going to try to get someone on board and offer them shares – the passion here is focus in creativity and skill." "There are various other ways, do we give a percentage away to another Black guy in the agency, but he hasn't proven himself, he isn't ready yet."

Category 32 – Other ways to compensate Black staff besides shareholding

Three interviewees suggested that there were other ways to attract and retain Black staff besides giving them shares in the advertising agency, This could be done by means of other financial rewards systems such as shares, profit-sharing and bonus schemes.

Summary of responses

Regardless of their answer to the aforementioned question, advertising agencies provided reasons for difficulties in increasing Black shareholders' percentages. A noteworthy number of advertising agencies (five) conceded that it was difficult to increase the percentage of Black shareholders as a result of international ownership constraints. One advertising agency maintained that it was difficult to increase Black shareholding as it involved money and another noted that one should be prepared to sacrifice a portion of their shares for the sake of BEE. Three agencies explored other possibilities instead of giving Black staff shares immediately. They suggested use of innovative financial schemes; focus on creativity and skilled people instead of trying to lure Black PDIs by shares; and then to only give them shares once they have proven themselves. One implied that the seven BBBEE pillars provide a far more diverse range of options to reward people, instead of simply offering shares.

6.3.7 Best practice criteria for increasing Black ownership levels in the advertising industry

Category 33 – Best practice criteria when searching for BEE partners

Table 6.53: BEE partners are passionate, interested and understand and add value to the advertising industry

Category	Responses
33.1	"They have to be passionate about your industry …"
	"Passionate about this game, add real value and understand it, same passion and everything not for the money or an investor, we can go to the bank for that. Somebody who can add real value, an understanding of our clients' brands with a different slant, how we can take that further…"
	"I prefer a network partner to rather add value in terms of managing and experience on the board…"
	"The ideal situation is to have them add value, because then it makes more business sense to do that."
	"You need an interest at the very least."
	"… you need to do empowerment with people that are interested in your business… Find people that are passionate about the business …"
	"Number one I would look for partners that do understand the business and appreciate the business."
	"You are effectively getting into bed with these people so they need to understand you, do you understand them, need to understand each others expectations, so relationships are more important than anything else."
	"An understanding of the business would be extremely helpful and the understanding isn't just around the operational issues but more of an understanding of what is required to build and develop the business."

Category 33.1 – BEE partners are passionate, interested, understand and add value to the advertising business

Nine interviewees were of the opinion that BEE partners who are passionate, interested and/or understand and can add value to the advertising business, were the most suitable BEE partners to increase the Black ownership of an advertising agency.

Table 6.54: BEE partners work or assist in the advertising agency

Category	Responses
33.2	"I would try and get someone from the industry and someone who puts in a day's work, in terms of delivery to make the company profitable…" "Someone that's prepared to come on board and be part of the team and get their hands physically dirty." "I would probably want executive responsibility, I would want the partner to work in the business alongside me, not just be a shareholder." "… can help you drive it and have a level of involvement …" "I would look for partners that would be able to assist when we needed to be assisted. … it would be people that would be genuinely active in the company whenever we need them." "… but they still feel this company can grow and grow and they want someone who can walk that path with them."

Category 33.2 – BEE partners work or assist in the advertising agency

Six interviewees verified that they desired a BEE partner who would work beside and/or assist them when needed in the operations of the advertising agency.

Table 6.55: Other criteria that a BEE partner should exhibit

Category	Responses
33.3	"I think best practice is being discovered day to day, best practice is looking at a long-term strategy, not a quick fix or tick that box." "If you are working for your company and involved with your company, you take you shareholding for a long-term view on it. Work your butt off as you want to get capital out of it one day if you sell. It is not speculative buy for short term gain and sell the shares." "People that would have the type of network that we would be able to use in term of achieving our business objectives." "It would be nice to have somebody who could bring you a lot of business, but if you do that it's difficult to find someone who can bring you a lot of business and still be representative of more than just one or two people." "Maybe we didn't approach in the right way, with a proper strategic view of why we are doing it, what benefits do we want to get out of it, what the expectations of the partners we bringing in and what there expectations are of the agency, making sure that your vision, goals, etc. are aligned, simple business practice really..."

Category 33.3 – Other criteria that a BEE partner should exhibit

Two interviewees felt that a BEE partner was a long-term strategy; another two implied that BEE partners should have a network to achieve the advertising agency's objectives, for example, to obtain new business. One interviewee stated that the BEE partner and advertising agency should first establish whether their expectations were in congruence in order to ensure a strategic fit.

Table 6.56: Utilise staff to increase Black ownership instead of BEE partners

Category	Responses
34	"… my route would be to go to the employees because having worked in 2 businesses where employee ownership was at a higher level I'm very conscious of higher productivity and higher passion in those businesses. That would be my first choice to grow…" "… I would rather get the trust to buy the shares because those people work for us."

Category 34 – Utilise staff to increase Black ownership instead of BEE partners

Two interviewees maintained that they would prefer to increase Black ownership by means of a Black staff trust, as opposed to gaining a BEE partner.

Table 6.57: Criteria to avoid when searching for a BEE partner

Category	Responses
35	"It would be a problem having one non-executive majority Black partner." "… not looking for an investment partner …" "… as opposed to a figurehead that sits in a board meeting once a quarter … otherwise although you empowered if your empowerment partner plays no role in the group what good is there for the people internally and externally. Those empowerment partners also aren't doing anything for the industry, they just make up numbers." "We were looking around and wanted to find somebody who wasn't just a Mr Money Bags because then all you are is return on investment …" "I would think that you need to find a partner that adds value to your business and is not only window dressing at the end of the day." "The best practice is about being more strategic and less first base, less box ticking, less quick fix window dressing." "Second is in terms of corruption, I don't want to believe it. You should be able to pitch for something and get it fair and square, not because someone is a mate of a mate."

Category 35 – Criteria to avoid when searching for a BEE partner

Four interviewees implied that they did not want a BEE partner simply as an investor, while another two added that advertising agencies should be careful of window dressing and one advertising agency stated that new business should be won fairly, and not as a direct result of your BEE partner.

Summary of responses

Three quarters of advertising agencies agreed that a BEE partner who is passionate, interested, understands and can add value to the business represents the best practice criteria to increase Black ownership via a BEE partner. Again, the fact that half of the advertising agencies agreed that a BEE partner who could in fact help to run the advertising agency and/or assist with its daily operational issues, should certainly represent another best practice criterion for BEE partner selection to increase Black ownership. Two advertising agencies maintained that increasing Black ownership by means of a BEE partner was not something that should be taken lightly, but rather a long-term strategy, owing to the hard work that goes into running and building up an advertising agency. Two advertising agencies felt that BEE partners should result in new business for the

advertising agency as a consequence of their networks and influence. One advertising agency explained that expectations of the relationship were important.

Two advertising agencies reported that they would increase BBBEE ownership by means of a Black staff trust instead of finding another BEE partner, while the main reason given was that staff tended to work harder for the advertising agency if they owned part of it. A third of advertising agencies felt strongly that investors were not the ideal BEE partners, but should play a role in the actual advertising agency. Two advertising agencies equated non-executive BEE partners to window dressing and another advertising agency frowned on the practise of winning new accounts simply because of who the BEE partner was.

6.4   BBBEE Employment Equity (EE)

Questions were first asked expressly about EE in terms of EE plans, Black representation, measures to increase Black PDIs, Black staff problems in terms of recruiting and retaining and how to solve them, as well as how long it takes to train new staff. A wealth of data, both qualitative and quantitative in nature, was provided on this BBBEE element. There will also be a noteworthy amount of overlap with the first topic on overall transformation and BEE. This is the second BBBEE element that was measured and promoted by the ACA nearly ten years ago. It provides valuable insight into the extent to which advertising agencies have embraced and complied with EE in terms of the DTI's scorecard, the DoL's EE plans and/or MAC Transformation Charter's objectives.

6.4.1   Prevalence of up-to-date EE plans (2007 – 2008)
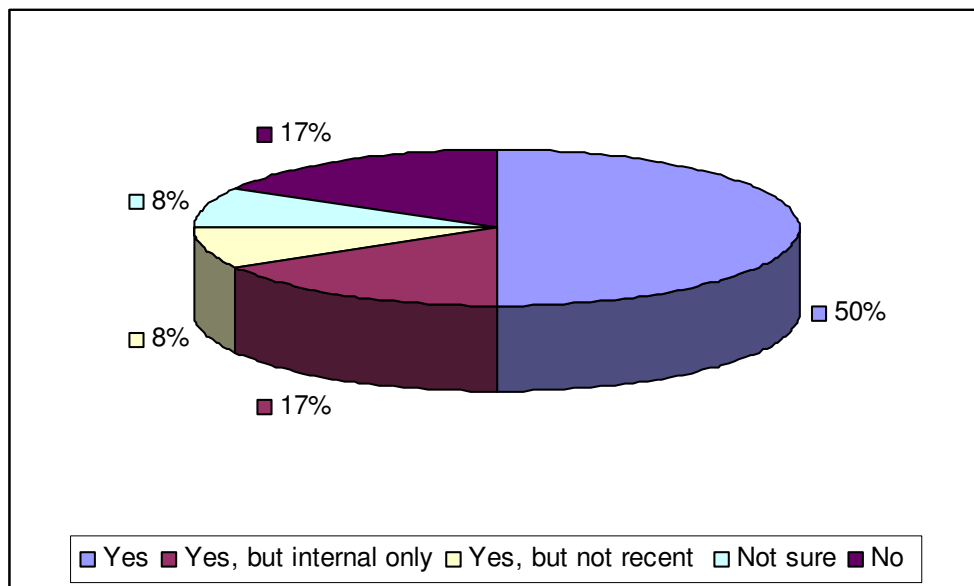
Figure 6.13: Incidence of up-to-date EE plans

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Category 36 – Incidence of up-to-date EE plans

Six interviewees confirmed that they had a recent employment plan and two stated that they had an internal EE plan that could be submitted to the DoL, if required to do so. One interviewee reported that they had an EE plan, but that it was not recent and another interviewee was not certain whether they had an updated one or not. Two interviewees revealed (to the best of their knowledge) that they did not have an EE plan.
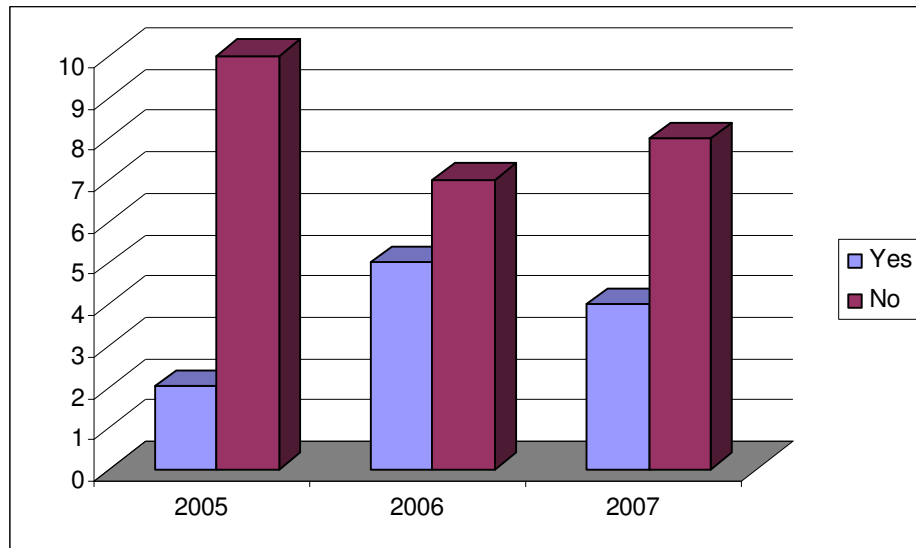
Figure 6.14: Advertising agency submissions according to the EE registry (2005 – 2007)

Category 37 – Advertising agency submissions according to the EE registries 2005 – 2007

The EE registry (2005 – 2007) indicated that of the twelve advertising agencies included in this BEE study, two submitted EE plans in 2005, five in 2006 and four in 2007.

Category 38 – Advertising agencies discrepancies verified against the EE registry

Seven interviewees responses were found to be inaccurate when compared to the EE registries (2005 -2007).

Summary of responses

Half of the advertising agencies cited that they had an up-to-date EE plan, two only had internal ones, another two did not have at all, one did not have a recent one and another was unsure. The EE registry (2005 – 2007) revealed that only two of advertising agencies submitted EE plans in 2005, five in 2006 and four in 2007. The higher figure in 2006 is owed to the fact that small companies only have to submit an EE every second year and most of the advertising agencies have fewer than 150 employees and were classified accordingly.

The interviewees' responses, which were verified against the EE registry, revealed the following discrepancies:

- Half of the interviewees that stated that they had an updated EE plan, had either never submitted one or the EE plan was at least one year out-of-date. The other half (six) did submit when last required to do so, and were obligated to submit again in 2008.
- One of the interviewees that reported to only have an internal EE plan, did in fact submit one in 2005 (but should submit each year owing to their size), whereas the other advertising agency with an internal plan was up-to-date and had been submitting annually.
- One of the interviewees that reported not to have an EE plan, was also fully up-to-date and had submitted each year, whereas the other interviewee was correct in stating that they had never submitted an EE plan.
- The interviewee that stated that their advertising agency did not have a recent one, was also correct, since they had not submitted an EE plan in the past 3 years.
- The interviewee that was not certain if they had an up-to-date one was the only advertising agency that subsequently forwarded the researcher a copy of their 2008 EE plan.

Possible contributing factors that related to the confusion concerning EE plans could be attributed to the low incidence of HR personnel, the national downward trend of EE plan submissions and the DoL's incompetence.

6.4.2   Advertising agencies' Black staff representation
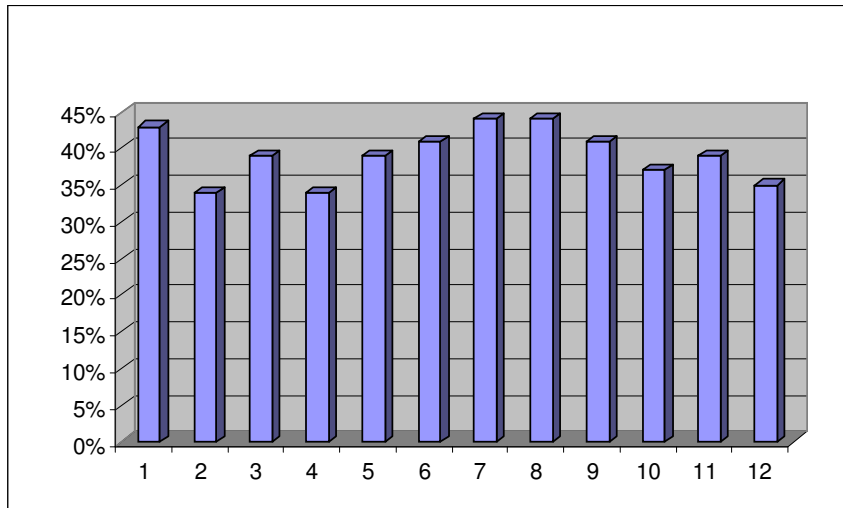
Figure 6.15: Black staff representation of twelve Cape Town advertising agencies

Five interviewees highlighted that they had Black staff representation of 40% or greater, whereas the other seven were below 40%.
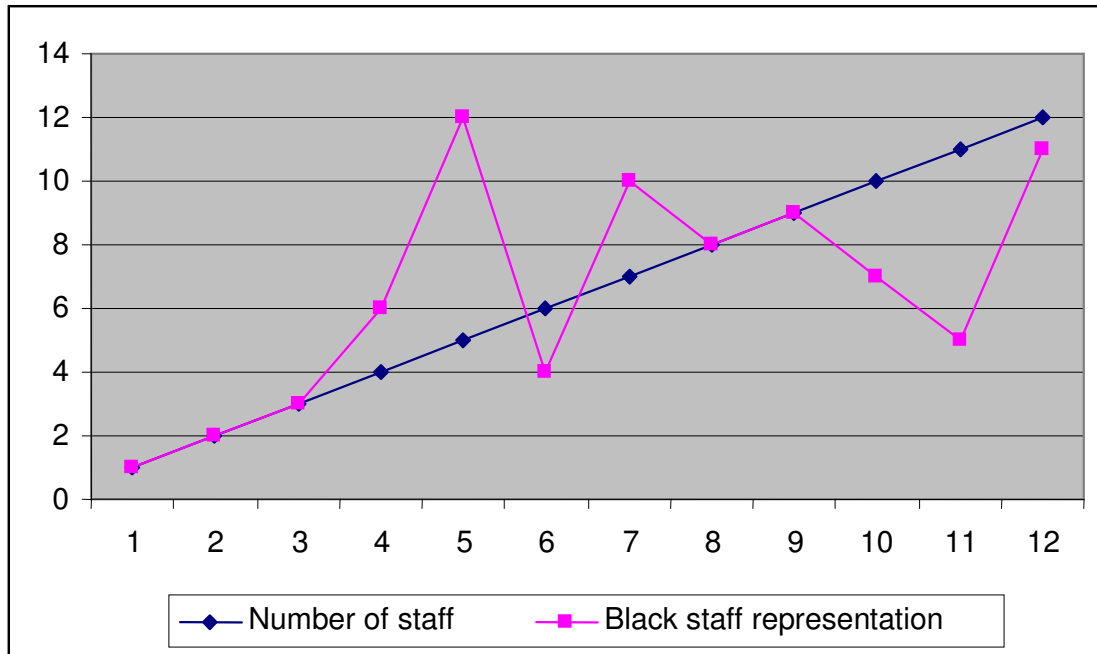
Figure 6.16: Number of staff rank versus Black staff representation rank

Category 39 – Larger agencies tend to have greater Black staff representation

Five of the six largest Cape Town advertising agencies (in terms of staff numbers) were also ranked in the top five in terms of Black staff representation, whereas five of the six smallest advertising agencies (in terms of staff numbers) were ranked in the bottom five in terms of Black staff representation.

Summary of responses

Half of the advertising agencies achieved a percentage of between 40 - 44%, whereas the others were between 34 - 39% in terms of Black staff representation, with a mean average of Black representation comprising 39%.

The top three largest Cape Town advertising agencies, in terms of staff numbers, also had the highest percentage of Black representation and five of the six largest agencies were also ranked in the top five in terms of Black staff representation (four had figures of over 40% and one just below 40%). The smallest advertising agency had the lowest percentage in terms of Black representation and five of the six smallest agencies (in terms of staff numbers) were ranked in the bottom five in terms of Black staff representation (all had figures of less than 40%, except for one).

6.4.3   Steps to increase EE (Black PDIs) in advertising agencies

Category 40 – Measures to increase EE in terms of Black PDIs

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Table 6.58: Internal student training programs

Category	Responses
40.1	"… we'd started a thing called the Ripple Effect which was a school for previously disadvantaged people. Every year we have about 10 post grad students working here on learnership type agreements…" "We have internship programs and work shadows … once a year we'll send an invite out to the schools, we started it last year and it was hugely beneficial to invite the schools here for a day…. We would give them an exercise and watch their progress. Tell them that there are two internships available. Two people for creative department chosen, one Black guy and White girl in art direction … both very talented." "We've got an internal program which the group sponsors, if we spot budding juniors we can get them in on a 3 month, 6 month or even annual basis and then the group supports them with funding. If they're showing value we put them onto full time employment, if not we extend them to 6 months, if they don't show any aptitude or progress then we encourage them to rather go look in other areas." "For the past 3 or 4 years we've offered bursaries to students going to the Red and Yellow School and then they need to work for us for 2 to 3 years and our hope is that after that they would want to stay on." "… on one level we doing skills development programme, we are funding students and then bringing them into an incubation programme…" "We have a new creative director in the group and he sees an internship program that he put in place in another agency as critical in our plan going forward, especially in creative department."

Category 40.1 – Internal student training programs

Six interviewees revealed that they had some type of internal training program where students worked and received training from the advertising agency.

Table 6.59: Recruitment policies (AA)

Category	Responses
40.2	"We get a lot of great CV's sent to us and can't take them because we have a recruitment policy in place and have to employ Black students first." "We always start with a list, and always start with Black empowered. We have an employment policy that the White guy is at the bottom…" "…I think we have put a plan together and at least 3 out of 5 recruitments will be PDIs, so it is a commitment." "Would it not be fantastic if we can find a Black person, but if we can't it's not an issue." "… I certainly know that when we go employ, there is no brief, but we need to try our hardest to be empowered and affirmative action only if we can not find someone who is qualified enough, who is non White, then we will get a White person in."

Category 40.2 – Recruitment policies (AA)

Five interviewees confirmed that they had recruitment policies to first employ Black individuals.

Table 6.60: Train and promote Black PDIs

Category	Responses
40.3	"We also have accelerated learning programs so we can fast track people that are budding." "We do but won't fast track someone just for the sake of BEE … there are a lot of sensitivities and we place a huge emphasis on skills here. There is a plan in place to develop staff." "… and a training programme internally and grow them within the agency if someone leaves is there a person internally that we can therefore promote and then bring someone else in through the ranks…" "…but try to promote from within."

Category 40.3 – Train and promote Black PDIs

Four interviewees reported that they first trained and then attempted to promote Black PDIs internally when a position became available.

Table 6.61: Employ an HR person

Category	Responses
40.4	"We've employed a HR executive, which is uncommon for a small agency…" "Until 6 months ago we didn't have an HR person here, so there was no-one to champion it."

Category 40.4 – Employ an HR person

Two interviewees revealed that they had employed an individual in an HR position to help with tactics to increase, retain and train Black PDIs.

Table 6.62: Creativity attracts Black PDIs

Category	Responses
40.5	"Although our creative director seems to be quite a legend out there and he constantly does talks at venues around the country and he gets approached by students and that's quite effective." "I think number one is the creative work that we do talks a lot about you. We cleaned up at the Loeries Awards. That makes life easier me to recruit talent. Remember our skills depend on that creativity."

Category 40.5 – Creativity attracts Black PDIs

Two interviewees disclosed that a creative advertising agency or well-known creative individual helped to attract Black talent.

Table 6.63: Measures to increase Black PDIs according to EE plans

Category	Responses
40.6	"Staff and management buy-in." "Preference is given wherever possible to designated groups." "Comprehensive HR manual and policies that are non-discriminatory and all employees are informed thereof." "All employees sent on training." "Priority is given to AA candidates." "Policies have been relooked to embrace formerly excluded groups." "More training and bursaries." "Full skills training program implemented, people trained across the board."

Category 40.6 – Measures to increase Black PDIs according to EE plans

Three advertising agencies stated in their EE plans that training was necessary to attain EE goals, while two others reported that employment policies were important.

Table 6.64: Employ individuals that are most qualified for the position irrespective of PDI status

Category	Responses
41	"At the end of the day it is balancing act, my main objective in employing someone, is that they are right for the job. I don't mind what colour they are to be honest with you. When I phone someone and say I need a copy checker I'm not going to specify too then that it should be a PDI or not. I just say what have you got?" "We don't give anyone a brief, we like to see what they come up with first. We run a business here and time is of the essence. When we hire someone we need to person ASAP, we don't go out and try and break out backs, we have a business to run first and foremost." "We've met with most of the recruitment companies and we've said don't send us 100% White CV's, mix it up and we'll decide out of that, we don't want Black CV's only, we'll employ people based on what we see on there merit." "That's also why I've given up on just seeing Black people, now give me the best people in the business, not because Black people are worse than White, but because I'm employing on expertise. Our numbers are comfortable, but I also don't want to jeopardize our business. Now I interview intensively on capability, there was a time when Black people got jobs and didn't really have to perform."

Category 41 – Employ individuals that are most qualified for the position irrespective of PDI status

Four interviewees explained that it was important to employ people that were able to do the job, regardless of their PDI status.

Table 6.65: Problems with the MAPPP-SETA in terms of internal student training programs

Category	Responses
42	"We've got levels, sometimes we can claim back from SETA sometimes not…" "… we couldn't get MAPPP-SETA to recognize them and subsidise them. We did apply to do learnerships, but then MAPPP-SETA went belly up so our aim is to get that going again."

Category 42 – Problems with the MAPPP-SETA in terms of internal student training programs

Two interviewees noted that the MAPPP-SETA would not pay or subsidise their internal student training programs and one interviewee also stated that the SETA had gone bankrupt.

Summary of responses

Half of the advertising agencies utilised an internal training program, which was funded by the advertising agency, primarily by means of learnerships and bursaries. Students were employed and received on-the-job training from the advertising agency for a certain time period, which ranged from 3 - 36 months. Five advertising agencies have some type of recruitment strategy that aims to firstly seek and employ Black candidates; however they added that if no suitable candidates were available, they would consider White applicants. A third of the advertising agencies either have staff development programs or aim to promote Black PDIs to more senior positions when a vacancy becomes available. Two advertising agencies have recently employed an HR person to help to implement the strategies to increase EE in terms of PDIs.

Two advertising agencies felt that if the advertising agency performed well creatively or had a famous creative director in its ranks; it was easier to attract a good calibre of Black PDIs. Two top strategies to increase EE in terms of Black PDIs were the same as those mentioned in the EE plans (although some of them were five years old), namely training and AA. Three interviewees emphasised that they would only employ individuals that were qualified to do the job, in spite of their PDI standing. This undoubtedly makes sound business sense. Two advertising agencies implied that the MAPPP-SETA was problematic, since it did not recognise their internal student training programs and one was of the opinion that the MAPPP-SETA had gone bankrupt.

6.4.4 Problems in recruiting and retaining Black PDIs

Category 43 – Problems in recruiting and retaining Black PDIs

Table 6.66: Black PDIs' staff recruitment and retention problems in Cape Town

Category	Responses
43.1	"Johannesburg is easier there is a great mix of guys, but trying to attract Black guys (not Indian or Coloured) to advertising in Cape Town…Black guys feel Cape Town is a very racist community. … in Cape Town you'll find one or two Black okes coming into the agency and feeling uncomfortable because they don't have anyone else to bond with." "There aren't as many people in your set you can socialise with. Cape Town is relatively cosmopolitan, some places are predominantly White. From a Black perspective it's easier to live in Gauteng, there's comfort in numbers and you live your life through people." "The Cape Town market is different and it is difficult to recruit this market. The problem is not the companies in Cape Town, but the problem is the social structure in Cape Town, it is very clicky. The social life in Cape Town does not exist for the Black market and PDIs, unless you were born in Cape Town." "…it's difficult to get Johannesburg based PDIs down to Cape Town, we've done it on a few occasions, but they don't feel comfortable in the area and more than often or not money lures them back. Johannesburg, Cape Town and Durban are different environments and all of this is based on how agencies are able to prosper." "The last aspect that is difficult in Cape Town is that we're a Cape Town agency and a lot of our Black staff have gone to Johannesburg where they will be paid bigger salaries." "Recruiting is a big issue, in Cape Town the pool is very small, the pool of senior people is even smaller. When I call recruitment agencies and I say my first priority is a Black man they just chuckle."

Category 43.1 – Black PDIs staff recruitment and retention problems in Cape Town

Six interviewees maintained that there was a problem in recruiting and retaining Black PDIs in Cape Town.

Table 6.67: Black management staff are difficult to recruit

Category	Responses
43.2	"It is quite a tough call to get people in your middle weight to senior levels across all aspects of an agency..." "Cape Town the pool is very small, the pool of senior people is even smaller." "What we found is that in some areas, there is a lot of young people coming through from previously disadvantaged backgrounds, but there is a real gap on middle management level." "… to recruit at lower, middle and senior level you have to be very competitive which we do, but we do it cautiously to make sure that we get what we're paying for."

Category 43.2 – Black management staff are difficult to recruit

Four interviewees observed that there was a shortage of Black staff who are suitable for managerial positions.

Table 6.68: Head-hunting of Black PDIs

Category	Responses
43.3	"Another point of BEE and EE, being an independent agency we try and offer good salaries and we get good Black staff in and train them up and then the larger conglomerates snap them up with ridiculous salaries that we can't match." "Yes it is a little bit of a problem, occasionally you get the sense of staff being actively head-hunted. I had a situation last year where I lost 3 Black staff who were all recruited by the same agency." "… and there was a lot of poaching, I see less of it now, but I'm less sensitive. It cost a lot of money."

Category 43.3 – Head-hunting Black PDIs

Three interviewees stressed that Black PDIs were actively head-hunted by other advertising agencies.

Table 6.69: Persons who have disabilities are difficult to employ in the advertising environment

Category	Responses
43.4	"… disabilities is probably quite low, it's difficult in our industry. We've got a lot of people interface and people need to be mobile, unless you have them in admin areas. We're in a creative environment so you need to be able to converse and need people with eyes, ears, etc." "Advertising uses all of your senses. I would not say no, but if someone was a phenomenal writer that was blind we would embrace them immensely, however it's that we would create anything outside of radio that we wouldn't create anything that didn't require some kind of visual." "It depends on the disability; I just don't think it's a profession that appeals…"

Category 43.4 – Persons who have disabilities are difficult to employ in the advertising environment

Three interviewees believed that it was difficult for persons who have disabilities to work in advertising agencies owing to the rich sensory nature of the environment.

Table 6.70: Advertising schools are not representative

Category	Responses
43.5	"…Red and Yellow has changed slightly, but it's still not hugely representative, AAA has more representation…" "The problem is you go to AAA in Cape Town and Johannesburg and it's 90% White, it's too expensive… AAA, Vega, Red and Yellow - all rich White kids!"

Category 43.5 – Advertising schools are not representative

Two interviewees mentioned that advertising schools had an insufficient number of Black PDIs.

Table 6.71: Advertising industry does not pay well

Category	Responses
43.6	"…I think part of the reason is that it's not a really well paying industry. It used to be, the agency people used to be better remunerated than the brand managers they were working for, now it's the other way around." "We have lost them to clients, or to higher paying jobs."

Category 43.6 – Advertising industry does not pay well

Two interviewees acknowledged that the advertising industry did not pay well when compared to other industries.

Table 6.72: Other problems in recruiting and retaining Black PDIs

Category	Responses
43.7	"The one aspect of our management team is that 3 of our 10 member management team got up to go and start their own agency." "We've been a successful country, but using one quarter of our population but I'm not seeing enough people in the creative area and I don't know if it's not part of the wiring how people are made up or I don't know." "… you need somebody who has the human capacity to gather the imagination and understand what they hell it is that we are doing, that completes the circle of the conversation, because I find that quite hard, I find those people don't work in advertising." "The other problem was that the Cape Town agency has grown radically … clients have just demanded that you serve them from day one. Not that you take 6 to 12 months to find the right Black staff. The difficulty is that the agencies are not doing anything to get Black staff onto their books." "I think the smaller agencies attract more a mature person. Everyone seemed to have worked at Ogilvy cut there teeth and learn the trade and then goes off. The smaller agencies are the resting place of the matured ad person. It is more of a family than some of the bigger agencies; it is also how you treat your people." "So in terms of stability, I suppose at a certain age of your life, you need to look at the company you are going to work for can provide you with the stability you need and that talks a lot because of our clients have been with us for 30 years, especially for people in the senior stage of their lives, that they know they will be here for the next 3 to 5 years and there will be no retrenchments."

Category 43.7 – Other problems in recruiting and retaining Black PDIs

Five interviewees listed several other problems that they had encountered in recruiting and retaining Black PDIs. Some abscond to form their own advertising agencies; there is a lack of creativity or understanding of the advertising business; advertising agencies do not do enough to increase the number of Black PDIs that they employ in a growing market; bigger advertising agencies lose staff more rapidly than smaller agencies; and they need long-standing clients to help to retain senior employees.

Category 43.8 – Problems in recruiting and retaining Black PDIs according to EE plans

Four advertising agencies listed the following problems in recruiting and retaining Black PDIs in their EE plans: staff were poached; poor HR capabilities; salaries were not competitive; merger issues; not many Black PDIs were available for recruitment; diversity of corporate cultures; and Black people had to work harder to obtain recognition.

Table 6.73: Problems in recruiting and retaining Black PDIs according to EE plans

Category	Responses
43.8	"Suitable staff from designated groups are poached." "Small industry, do not have the recruitment facilities to deal with responses." "Not competitive. Revenue is not as high as comparable industries." "Merger of our media department with that of a competitor to form new venture company." "Recruitment pool is too narrow." "Whilst the agency corporate culture strives to be inclusive, it is sometimes insensitive to the diversity of cultures represented by employees." "There is a perception of lack of recognition for Black people and that they need to work hard than White counterparts in order to prove themselves."

Category 44 – High staff turnover of all races is an advertising industry norm

Seven interviewees suggested that the high staff turnover in the advertising industry was the norm and that it was not necessarily inherent amongst Black PDIs.

Table 6.74: High staff turnover of all races is an advertising industry norm

Category	Responses
44	"…the popular view that in our and in other industries that when you employee Black people, they work for you for a little while and then they jump ship. In an environment when that becomes the order of the day, I am not surprised that that people do that and I think that simple truth needs to be landed somewhere. … of that conversation rather than just suggest it, some sort of a short sighted greed of the young Black people. I think that in the previous environment those opportunities are available in exactly the same as the White people, I think that one has to be careful." "… there've been losses but not higher than anywhere else, I would say it's normal healthy churn." "There's an awful lot said about Black staff being head-hunted and job hop, but I think the turnover in this industry is high in any event and I don't see it as extra high in terms of PDI candidates. It's the norm." "Over time I've become less sensitive to people leaving, because that's part of the business." "The reality is that good people know what they are worth, they also know, especially in our industry it is a very opportunistic industry so people move around for money. I can't begrudge that, in fact I would do that and in my career I have. That is an absolute challenge is retention." "We're also working in an industry that just churns, we find it more in Johannesburg where okes are hopping 2 years experience R20 – R30 grand next company, but then they're not right for you." "Large agencies churn them up and spit them out, but also people use them. It is because a lot of people chase the buck, as soon as you hire someone you loose someone."

Summary of responses

Half of the advertising agencies raised concerns about the difficulty in attracting and retaining Black PDIs in Cape Town's unique social and economic environment. A third felt that opportunities for Black PDIs to socialise were limited; two noted that high salaries lured Black PDIs back to Johannesburg and also reported that there was a shortage of Black PDIs in Cape Town. A third of the advertising agencies felt that there were an insufficient number of suitable Black candidates across all management levels and this may be linked to the fact that this is the only employment echelon that counts towards EE of the BBBEE scorecard. A quarter of the advertising agencies pointed out that key Black staff were head-hunted by other advertising agencies, which, as a rule, offered them more money.

A quarter of the advertising agencies conceded that it was not easy to employ a person with a disability owing to the inherent need for all senses in the sensory demanding advertising environment, although they mentioned certain areas in which they could work. Two advertising agencies verified that advertising schools such as Vega, AAA and Red & Yellow were still mainly White in terms of students, and the main reason for this occurrence was because of high fees. Two advertising agencies confirmed that other industries pay more than the advertising industry, although this was not always the case in the past. Five advertising agencies provided a range of other possible reasons why it was difficult to attract and retain Black PDIs: some leave to start their own advertising agencies; a shortage of Black PDIs especially in the creative department; or it was difficult to find people that work in the industry and understand how it works. One mentioned that the advertising industry was growing too rapidly and that advertising agencies did not do enough to employ a sufficient number of Black PDIs to keep pace with this rapid growth. Another advertising agency noted that Black PDIs used larger advertising agencies to learn, before settling down at a more nurturing and smaller family-orientated advertising agency, whereas one implied that long-term relationships with clients helped to attract and retain senior Black staff.

Problems in attracting and retaining Black PDIs, according to the interviewees, were similar when compared to those mentioned in the EE plans, except for merger issues and that Black people have to work harder to prove themselves - this issue appears to have been resolved. Cost implications and poor reputations of Black individuals are cited as high staff turnover problems, but more than half of the advertising agencies implied that it was normal for staff to move jobs on a regular basis in the advertising industry, regardless of their PDI standing.

6.4.5 Measures to overcome recruitment and retention problems of Black PDIs in advertising agencies

Category 45 – Suggested measures to overcome problems in recruiting and retaining Black PDIs

Table 6.75: Endeavours to solve Cape Town's Black PDI retention problem

Category	Responses
45.1	"We've attracted people from Johannesburg, we've got an in-house staff program, but it's beyond that. It takes care of the emotional needs of people, we've always wanted to be the best company to work for in South Africa, so every year we apply. We recognize there has to be a togetherness to get there. Small things like toasted sandwiches, we signed everybody up on Goodfellows (for when you're drinking), we have kiddies parties, Christmas parties, life skills courses, massage rooms – the idea is if you have an issue come talk to us. It's part of our retention strategy as well and the idea is that everybody can qualify."

Category 45.1 – Endeavours to solve Cape Town's Black PDI retention problem
One interviewee described an endeavour that assisted to meet Black PDIs (and other staff's) emotional needs.

Table 6.76: Senior Black staff recruiting and retention strategies

Category	Responses
45.2	"We try develop them internally and also use opportunities where you get new business on board, is it an opportunity to get somebody where you can cover the cost of a senior account person." "We're identifying guys to go into middle management to be groomed in 3 or 4 years time to sit on the board as well." "Also consider other avenues, not only look in the advertising industry, look in marketing and other areas to bring different skills on board, if people have the aptitude, then advertising is not a huge science, then it's easy for them to pick it."

Category 45.2 – Senior Black staff recruiting and retention strategies

Two interviewees revealed that they attempted to grow junior Black PDIs in order to internally promote them to more senior positions. One of these interviewees also suggested that senior Black staff could be successfully imported from other related industries, for example, marketing.

Table 6.77: Implement a reward structure to curtail head-hunting

Category	Responses
45.3	"A proper reward scheme for talent people, this is not for Black people, this is everyone. You want to keep good people you're got to reward them appropriately."

Category 45.3 – Implement a reward structure to curtail head-hunting

One interviewee maintained that the only way to stop staff (not only Black PDIs) from being head-hunted, was to reward them appropriately.

Table 6.78: Opportunities for persons who have disabilities in the advertising agency

Category	Responses
45.4	"We've been battling to find the right track for an ad and we've been told to speak to this one guru in Nigeria, but he's blind but knows everything about the music. If he has always been blind it would be a problem but if he's blind the last ten years then I can tell him the story and he could visualize the ad better than the physical thing and find the best piece of music for it. There would be benefits all round." "I would imagine blind people could make great copywriters…" "We have the MD of the recruitment company in Johannesburg, who's got a prosthetic leg and we had to put in a special lift to take him up and down, our previous chairman also walked with a stick and had a gammy hip."

Category 45.4 – Opportunities for persons who have disabilities in the advertising agency

Two interviewees reported that there were opportunities for persons with certain disabilities in the advertising industry, for example, blind people. One interviewee also explained how they had made modifications to their building to accommodate physically challenged persons.

Table 6.79: Intern development programs for Black PDIs

Category	Responses
45.5	"On one level we're doing skills development programme, we are funding students and then bringing them into an incubation programme and a training programme internally and grow them within the agency…" "We try very hard to get PDI interns to give us a sense of who is out there." "The students we were taking on were not the top students, we were looking for students at organizations like yours that weren't being picked up and weren't going to get a job because they didn't have the experience. Out of that I can name 5 or 6 guys that as a result of that have won gold Loeries within 2 years of being here."

Category 45.5 – Intern development programs for Black PDIs

Three interviewees provided Black PDIs from advertising schools with an opportunity to work at their advertising agency and to gain work experience.

Table 6.80: Advertising agencies should consider cost versus scarce skills

Category	Responses
45.6	"PDIs are more expensive, but if the employee is good and the skills are right for the job then I would consider them and if necessary juggle the budget." "It's always a balance, what level are you willing to pay somebody to get them on board against their skills etc, so you've got be wary of going out kilter on a salary point of view to try draw PDI people in and it doesn't draw the scales of the agency. There's a balance between the opportunity cost of not getting someone all losing a certain skill which might be great for the agency."

Category 45.6 – Advertising agencies should consider cost versus scarce skills

Two interviewees believed that advertising agencies should weigh up the costs of Black PDIs against the skills that they could offer.

Table 6.81: Possible solutions to other problems in recruiting and retaining Black PDIs

Category	Responses
45.7	"… what's really cool is that there's that shift, especially the younger Black people, to wanting to be known as being successful regardless of what I earn, my time is now, I've got a window and I'm going do it. It makes the market place more competitive which means you get more out of everyone regardless of colour." "… we had a year long mentorship programme for up and coming Black people and we did not have enough senior Black employees so we used junior, we were hand picked and we sat down weekly and it was across departments, so it was not their boss, to chat about their challenges. It was to try and give them advice and not give them an advantage. To talk through things that are happening and issues that may come up. Identify when there are race issues and assist how they should handle it."

Category 45.7 – Possible solutions to other problems in recruiting and retaining Black PDIs

One interviewee acknowledged that not all of the younger Black staff enter the advertising industry for the money, but rather wanted to be successful, while another interviewee stated that they offered mentorship programs to help to retain Black staff.

Table 6.82: Importance of high staff turnover in the advertising industry

Category	Responses
46	"I think the consequence of high turnover must be a consequence of fresh starts. It is about our ability to feed their wonder, because wonder is the currency we trade, so and one agency is unable to do that. What agencies tend to do is consider themselves so wonderful that they reckon that people ought to stay there forever and a day. That is the position in my view and superficially and intellectual insecurity. I don't think that we need to be so insecure, we can say, we claim the currency of ideas, we can say that we find people, permanently or contractually who can fit into particular patterns, respond to particular means. That is what happens, the opportunity to employ people to around particular clients and particular projects is always there and that is how we should operate."

Category 46 – Importance of high staff turnover in the advertising industry

One interviewee was of the opinion that a healthy staff turnover was important to keep employees enthused and allow to advertising agencies to meet specific clients' needs better.

Table 6.83: Further staff retention strategies cited by advertising agencies

Category	Responses
47	"You get another guy who says screw BEE, I want to learn, I'm Black I want to learn a craft and I know it is going to take 10 years and they stay, those are the guys that will end up in the trust, that is our retention strategy. We create an environment that hopefully wants to make people stay. We say if you stick with us we'll make you famous and if you believe and be open to learning and commit and we'll make you bigger than what you thought you were but you need to commit and be open to learning." "That's the most important thing, regardless of your colour to create an environment where you want to stay, learn and progress." "We talk about being the love marks company and that the concept around for creating a loyalty beyond reason for people and brands that they choose to buy. But at the heart of it's a lot of respect, love and caring so we're able to walk the talk when we talk about our philosophy between people and brands. Something to hold on to. We live together, we work together we play together, it needs to be performance focused, but I'm also very understanding that it's not one formula for every person that works here because it such an interesting space."

Category 47 – Further staff retention strategies cited by advertising agencies

Two interviewees felt that the advertising agencies would retain staff if they created the right type of environment, while one believed that respect was important to help to retain staff.

Summary of responses

One advertising agency used an innovative staff program that endeavoured to keep all staff happy by taking care of their emotional needs and offered staff many small benefits such as: life skills courses, massage rooms, Christmas parties, Goodfellows membership, toasted sandwiches and others to help build unity and thereby retain staff. Two advertising agencies was of the opinion that Black PDIs at senior management could be developed within the advertising agency, by nurturing and giving them opportunities to grow. One also believed that suitable senior PDIs could be found in other industries.

A single advertising agency felt that apt reward structures for all staff would help to retain them. Two advertising agencies confirmed that there were positions for persons who have particular disabilities in the advertising agency such as copywriters for visually impaired people. One advertising agency mentioned how they had installed a lift for a physically challenged person. One quarter of the advertising agencies stated that they provided Black PDI students with internships to help to train them and to allow them to gain experience in the advertising work environment. Two advertising agencies were of the opinion that if a Black PDI had a particular skill that was urgently required, then they should be properly remunerated.

One advertising agency felt that there were Black PDIs who really did want to learn and become known in the industry, as opposed to simply chasing after money. Another advertising agency described a program, which helped junior Black staff via a mentorship program in conjunction with senior Black staff who served as role models. A solitary advertising agency advocated the fact that it was necessary for staff (not only Black) to switch advertising agencies in order to ensure that they remain stimulated, while it also allowed advertising agencies to select the best person to meet a particular client's needs. Two advertising agencies emphasised that Black PDIs would be more inclined to stay if an environment was created that allowed individuals to learn and develop, whilst they are also respected.

6.4.6   New employee training duration
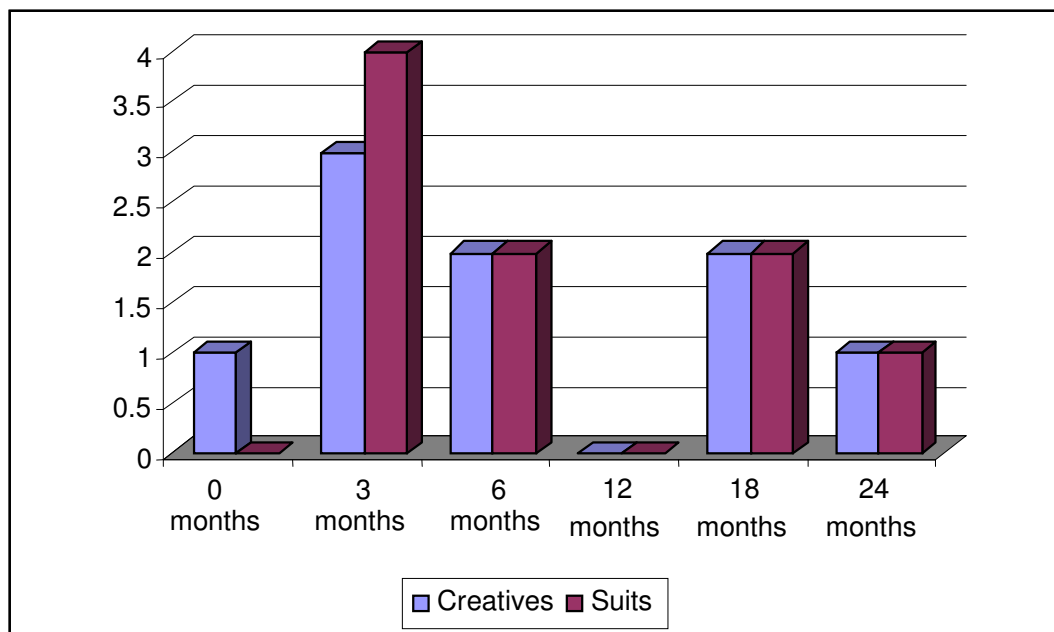
Figure 6.17: Number of months to train creatives and suits

A total of six interviewees reported that it took between 3 - 6 months to train suits and five confirmed the same period for creatives, whereas a total of three interviewees verified that it took 18 - 24 months to train both suits and creatives.

Table 6.84: Differences in training time between creatives and suits

Category	Responses
48	"Junior's from a creative point of view will get work straight away and they'll bounce it off a senior creative guy to get guidance or direction or approval but then crack on and do it, but it's more in the client interface areas where you can't make mistakes so you tend to carry people through." "On other accounts, the client service side takes longer, on the creative side their frame of reference is more limited so they can learn that quicker." "So it takes a long time for them to add real value and that's as true on the creative side as it is on the suit side." "Learn to make an ad, but a pretty rubbish ad, but after 10 -15 years they are masters with the right kind of backing, support and mentorship."

Category 48 – Differences in training time between creatives and suits

Six interviewees believed that it took longer to train people on the client side, whereas five advocated that it was the creative side that took longer. One interviewee felt that there was no difference between the training time of creatives and suits.

Category 49 – Situational, training and productivity strategies for new employees

Table 6.85: Situation determines how long it takes to train new employees

Category	Responses
49.1	"It depends on the category of person, a new recruit graduate there are two sides – creative and suits." "So it's dependant on the role they are playing with in the agency – media or strat versus internal creative and their aptitude, the kind of person they are quite grounded." "It's talent based…" "It's determined on the person, if they have the aptitude and personality that you are happy to leave them alone in front of clients or situations where there might be issues or debate and conflict and they can run that, then you can leave them as soon as possible." "It's different on different pieces of work. They understand our business very quickly, but not the client's business which is very complex." "Some people flourish in different agency environments we've got a very supportive environment, we're stronger as a team, we don't have an individual that stands out, we've seen people leave our agency to go work elsewhere and they don't do as well."

Category 49.1 – Situation determines how long it takes to train new employees

Four interviewees listed a range of factors that played a role in determining the length of training that a new employee required such as the specific position; talent; complexity of clients' business; and the nurturing nature of individual advertising agencies.

Table 6.86: Training strategies for new employees

Category	Responses
49.2	"We structure it so that each junior team has at least one middle and one senior team that look after them." "Junior's from a creative point of view … they'll bounce it off a senior creative guy to get guidance or direction or approval, but then crack on and do it…" "… they mentored but obviously they work in teams with people who direct them and hold there hands." "Often more people than required sit in a meeting so that they can get face-to-face experience." "They come in with the basic skill so it's just a matter of showing them how the agency works and our high standards."

Category 49.2 – Training strategies for new employees

Three interviewees provided an array of strategies that they used to train new employees such as mentorships; attendance at meetings; and showing them how the advertising agency works.

Table 6.87: Approaches to get new employees to be productive

Category	Responses
49.3	"They're work on live briefs and pretty much productive straight away." "In our company they get there pretty soon because we drop them in the deep end, the bigger agencies have a bureaucratic structure so it will take forever." "…so they get thrown in at the deep end and have to swim very quickly so they tend to get productive on a day to day basis very quickly…" "We've got a client that is challenging in terms of time turn around, we do windows for them and it's challenging because they have a team in their own company as well and we'll give them ideas and they'll finish it. And the intern allocated to it is over the moon but it's hard times because it's quick turn around. The people that have been here longer have been in the business the more cynical they get, the more selective they are on what they want to work and well I don't really care." "If you do not have to lose an employee then don't as it will be very costly to replace them." "Our agency is lucky that it picks them up when they are mature and have cut their teeth. We don't have the young people from advertising school so must people are up and running straight away when they join."

Category 49.3 – Approaches to get new employees to be productive

Five interviewees listed a variety of approaches, which they utilised to get new employees to be productive: start working immediately; place them on accounts that others do not want to work on; try to retain existing employees; and attract matured employees.

Summary of responses

Half of the advertising agencies stated that it took an average of 3 - 6 months to train suits and five advertising agencies agreed on the same time period for creatives. Two advertising agencies believed that it could take up to 18 months and another one said that it took up to 24 months to train new employees. Advertising agencies were divided about whether the creative or client side took longer to train, while others felt that it made no difference. Two advertising agencies

suggested that the type of position determined the length of training, while two believed that it also depended on the individual's talent. One advertising agency noted that the duration of training depended on how complicated the client's business was and another maintained that certain agencies were more nurturing than others.

A quarter of the advertising agencies implied that the best way to train new junior employees was to provide them with mentors to guide them. Others allowed them attend meetings, while some advertising agencies familiarised them with their internal workings and environment. Three of the advertising agencies felt that new employees should be thrown in at the deep end by commencing work without delay so that they would become productive quickly, and one advertising agency gave enthusiastic new junior employees opportunities to work on accounts that senior employees were not interested in. An individual advertising agency felt that it was important to retain employees because it was more costly to replace and train new ones, whereas another believed that they attracted more matured employees who were able to become productive without any delay.

6.5   Conclusion

Participating advertising agencies provided a wealth of detailed and interesting data that was analysed by scrutinising the answers to each question in terms of similarities and divergent views, as well as prevalence of their occurrence in each category. A summary of the responses was provided at the end of each theme to sum up the preceding data analysis thereof. The findings of this analysis are used to identify trends, similarities and differences between the advertising agency responses and the literature review in the "Discussion of results" chapter, which follows.

CHAPTER SEVEN
DISCUSSION OF RESULTS

7.1   Introduction

The data analysis and summary of findings provided a wealth of both qualitative and quantitative information regarding BEE and transformational issues. The advertising agencies also exposed several BEE facets, trepidations and positives that were not previously researched and will be expanded upon in this chapter. Recent BEE literature, research studies and surveys are used in collaboration with the discussion of results in order to reach a consensus, compromise or disagreement with each category that materialised from the assortment of themes. All the categories are suitably cross-referenced with one another to create a comprehensive overview of transformation progress made by advertising agencies in the Cape Peninsula, whilst challenges and benefits in striving to comply with the BBBEE ownership and EE targets, are highlighted.

7.2   Overview of transformation and BEE

The first topic provides an important discussion of problems, benefits, specific transformation and BEE issues that Cape Town advertising agencies have contended with by complying with the BBBEE Codes of Good Practice scorecard and/or the MAC Transformation Charter objectives, as well as by implementing their own BEE initiatives. Broader transformation and BEE themes are explored first before individual BBBEE elements are discussed. Refer to Figure 7.1 for an overview of transformation and BEE progress categories. The diagram summarises and highlights factors (revealed by this study) that hinder, support, promote and have a positive effect on overall transformation and BEE progress in the Cape Peninsula advertising industry.

7.2.1   Initial thoughts on transformation and BEE

Category 1 – Embracing BEE and transformation

The largest advertising agencies, both in Cape Town and SA, are noticeably confident concerning the extent of their transformation achievements and measures that they have in place, hence they were, therefore, enthusiastic to discuss their transformation progress. Each advertising agency that participated in this BEE study had concluded an empowerment deal of at least 25% Black shareholding and maintained Black representation of at least 30% over the past decade, which is testament to the fact that the ACA has been driving transformation and measuring quantitative BEE targets for the same period. Notwithstanding the steady progress made in BEE since the parliamentary hearings, 72% of respondents in the national AdFocus 2007 opinion survey of senior advertising agency management, proclaimed that they still experienced transformation challenges (Maggs, 2007a:109). Therefore, although a positive picture was presented by the Cape Town advertising agencies, the sentiments of the SA advertising industry, as a whole, were not as optimistic.

Embracing BEE and transformation (C1)

In progress with or completed the BEE verification process (C2)

First thoughts on BBBEE elements (C3)

Apprehension to BEE and transformation (C4)

Transformation and BEE are divergent (C5)

National advertising agency group versus Cape Town advertising agency scorecard (C6)

Companies can legally create their own scorecards (C7)

BEE verification agencies have not yet been accredited (C8)

BEE contribution levels (C9)

Cost implications to obtain BEE recognition (C10)

Complicated process to obtain BEE recognition (C11)

Deception in the BEE recognition process (C12)

Reasons why the BEE recognition process was worth the effort (C13)

Simple to maintain upon completion of BEE recognition process (C14)

Problems with the worth of BEE recognition (C15)

Problems encountered in the transformation process (C16)

Steps implemented to address transformation problems (C17)

Benefits as a result of BEE credentials (C18)

True value of BEE credentials debate (C19)

Issues or uncertainties relating to the MAC Transformation Charter and/or targets (C20)

BEE versus real transformation proviso to MAC targets (C21)

BEE may not be the answer for real transformation (C22)

Overall transformation and BEE progress

promotes
supports
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Figure 7.1: Overview of transformation and BEE progress categories

Category 2 – In progress or completed the BEE verification process

BEE contribution certificates expire after one year, hence advertising agencies and all companies should be verified on a regular basis to monitor their BEE progress; this means that they will be frequently busy with the BEE verification process. It is a positive sign to have such a large proportion of the Cape Town advertising industry in the midst of measuring their BEE progress, which therefore, displays a certain degree of commitment to transformation, especially since there are no accredited BEE verification agencies as yet.

Category 3 – First thoughts on BBBEE elements

The BBBEE scorecard consists of seven elements that are the pillars of BBBEE and are necessary to measure advertising agencies' quantitative progress. Several advertising agencies highlighted one or more of the seven BBBEE elements, which include ownership, EE, management control, skills development, preferential procurement, enterprise development and socio-economic development (DTI, 2007c:8); however this BEE study primarily focuses on the first two on the list.

Category 4 – Apprehension to BEE and transformation

BEE remains a sensitive topic for a few advertising agencies, but a majority were extremely willing to assist and even provided information far beyond what was requested. One of the main reasons why the BEE Monitor and MAPPP-SETA advertising skills needs analysis surveys were not successful, was owing to the confidential nature of BEE, coupled with the fact that inappropriate data collection techniques (impersonal) were utilised to collect this sensitive data. Semi-structured interview guides, as well as face-to-face interviews were used to overcome this barrier and to assist in the acquisition of confidential documents. Advertising agencies are busy and consequently this BEE study was last on their agenda. Nevertheless, after much tenacity, over two months of follow-up e-mails and telephones calls, all twelve qualifying advertising agencies were successfully interviewed. It took the same degree of time and determination after the interviews, involving as many as five people from both Cape Town and Johannesburg branches for certain advertising agencies to secure nine BEE contribution certificates and/or scorecards (all of which contained confidential information). However, only one EE plan was received from a single advertising agency - possible reasons for this occurrence are elaborated upon in Category 40. The initial apprehension of BEE has largely settled, hence with the correct data collection techniques and much resolve, BEE information was successfully collected.

Category 5 – Transformation and BEE are divergent

Transformation is more than simply complying with BBBEE scorecards and quantitative targets. BEE is the legislated instrument that was constructed to provide a platform for transformation, but real transformation goes beyond BEE and is ultimately about making a difference to people's lives.

One advertising agency was quick to emphasise that real transformation is more than simply attaining quantitative targets, since it is rather about uplifting people. Critics of BEE felt that it did not make a difference in those people's lives that really needed upliftment, while similar transformation tools that were utilised in other countries came to the same conclusion. Real transformation should go beyond merely complying with scores that are prescribed for each BBBEE element, as set out in the BBBEE Codes of Good Practice or MAC Transformation Charter if it is going to succeed and was a recurring theme of this BEE study. Refer to Categories 16.1, 17.1 and 22 for more discussion on this finding.

7.2.2 Advertising agency BBBEE scorecard prevalence

It was encouraging that a majority (two-thirds) of advertising agencies verified that they had up-to-date BBBEE scorecards. Two advertising agencies noted that their scorecard had expired since it was only valid for a year (which is a short time-frame for such a rigorous and time-consuming process), but were in the process of securing new ones. Some advertising agencies acknowledged that they were busy with the verification process in order to obtain their first BEE contribution certificate.

Category 6 – National advertising agency group versus Cape Town advertising agency scorecard
There is no mention of whether a BBBEE scorecard should be compiled for a national advertising agency group or an individual advertising agency in the two fundamental BEE documents, namely the BBBEE Act and Codes of Good Practice. There are both positive and negative implications, depending on which method is chosen, especially in terms of truly reflective transformation. A benefit of crafting national advertising agency group scorecards is that the BEE contribution level would be higher for certain regional branches, that may otherwise have been BEE non-compliant, but the converse is true for other branches. The top three BEE contribution levels were achieved by Cape Town advertising agencies that established separate scorecards, and hence qualified as QSEs, in other words, they were required to utilise four of the seven BBBEE elements. Cape Town advertising agencies' BEE contribution was 1.7 levels superior to the national advertising agency groups, as a direct consequence of being classified as QSEs (only one advertising agency that fashioned a scorecard for the group was in the top five (fifth) when compared to those that established separate scorecards), whereas all of the national advertising agency groups used generic scorecards (inclusive of all seven BBBEE elements).

The debate as to which method reflects real transformation is an interesting one. If the sole purpose of advertising agencies establishing individual scorecards should be classified as a QSE in order to avoid inclusion of their three weakest BBBEE elements, then this is contrary to the spirit of real

transformation, but at the same time it makes logical business sense. Having said this, some advertising agencies addressed all BBBEE elements, even though they were classified as QSEs. It is also true that individual advertising agency scorecards do reflect the true operating environment and, therefore, it would be preferable if it was found that national advertising agency groups used the national scorecard to boost scores in specific untransformed regions. Advertising agencies had theories why some companies established scorecards for individual branches and others for the national advertising agency group. The most common one cited made logical sense, namely to establish a single national scorecard if there were several national clients serviced by more than one branch across SA, but if each branch had different clients then an individual scorecard should be compiled. The first telephone call to Empowerdex (Cape Town) confirmed that this was a grey area, whilst there were no clear guidelines as to whether each branch or subsidiary was required to establish a separate scorecard or whether one was required for the national company.

As mentioned in Category 4, it was a long and difficult process to obtain BEE contribution certificates from certain Cape Town advertising agencies, hence the Johannesburg branches were also contacted to make new contacts and hopefully to secure the desired documents (in some instances the larger Johannesburg branch was perceived to be the head office). It was during one of these telephone calls that the national advertising agency group versus Cape Town (or individual) advertising agency scorecard debate surfaced again (post-interviews). The advertising agency representative firstly revealed that their advertising agency had switched BEE verification agencies from Empowerdex to Empowerlogic. She then acknowledged that Empowerlogic had informed them that if their group's turnover was over R35 million, each subsidiary's individual scorecards should also be based on all seven BBBEE elements (according to legislation QSE's are permitted to use four), and not only the holding company's scorecard. Documentary evidence was requested from the Johannesburg advertising agency representative and the following excerpt, from a then unknown document, was received:

"Related Enterprises are Qualifying Small Enterprises
- If their combined turnover exceeds R35 million per annum, they MUST obtain either a consolidated BBBEE scorecard as if they were a group structure or individual BBBEE scorecards for each related enterprise;
- But if their combined turnover is less than R35 million per annum, they can comply only with the requirements of the Qualifying Small Enterprises scorecard in their individual capacity."

An excerpt, including Empowerlogic's handwritten comments, from the "Guidelines on complex structures & transactions, and fronting (previously Statement 002)", which was sent by the advertising agency representative.

Following an Internet search, the origin of the excerpt was discovered in a DTI document entitled, "Guidelines on complex structures & transactions, and fronting (previously Statement 002)", which was published in August 2007 (SA. DTI, 2007d:1-2). The contents of this document were alluded to in 2005, in Section 9(5): BBBEE Codes of Good Practice (Phase 2) where "Statement 002: Specific verifications issues relating to complex structures" (specifically Section 6.3.2) discussed "Related Enterprises, which are EME's" based on the same principles outlined in the excerpt (SA. DTI, 2005). It is important to emphasise that the aforementioned documents was the only place where this except was mentioned and not in any of the other major pieces of legislation that were mentioned at the beginning of this discussion.

Besides the anonymity of the document, it is further complicated by the fact that this piece of legislation is highly ambiguous and, consequently, can be interpreted in two ways. Each interpretation is paraphrased in an attempt to facilitate understanding thereof. The first interpretation seemed logical and is the one that was advocated by Empowerdex (Pretoria) and the four different DTI BEE consultants (although all of them swiftly withdrew their view upon request for it to be placed in writing). It is shown below.

Holding companies (related enterprises) with a turnover of over R35 million (in other words, the combined turnover of all its subsidiaries) have the choice to obtain a scorecard for the group (based on all seven BBBEE elements) or individual scorecards for each subsidiary (based on the four BBBEE elements stipulated for QSEs, if their respective turnovers are less than R35 million). Each subsidiary should only utilise the QSE scorecard if the holding company's turnover is less that R35 million.

However, what is puzzling about this interpretation is a need for the last sentence of the excerpt. It is obvious that each subsidiary would only need to comply with the QSE scorecard if the holding company's turnover was below R35 million, so why state this fact? Empowerdex (Johannesburg) initially supported the second interpretation (which follows), but after the researcher contacted them again for greater elaboration, they added the proviso that if the subsidiaries complied with individual scorecards for the sole purpose of being rated as QSEs (thus receiving higher BEE ratings, because they only need to comply with four BBBEE elements), it would constitute fronting. In this instance the holding company should draw up a scorecard for the consolidated group. However, if each subsidiary operated in an independent environment (such as Cape Town, Johannesburg or Durban), with separate clients and inherent staff demographics in that region (for example, Coloureds in Cape Town and Indians in Durban), then it would be acceptable to utilise an individual scorecard for each subsidiary (and if they happened to be a QSE, base the scorecards on four elements).

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The second interpretation, which was promoted by Empowerlogic and initially by Empowerdex (Johannesburg), seemingly appears to be illogical, but makes more sense in terms of the last sentence in the excerpt. It is shown below.

Holding companies (related enterprises) with a turnover of over R35 million (in other words, the combined turnover of all its subsidiaries) have a choice to obtain a scorecard for the group (based on all seven BBBEE elements) or individual scorecards for each subsidiary (also based on all seven BBBEE elements). Each subsidiary should only utilise the QSE scorecard if the holding company's turnover is less than R35 million.

The interpretation is basically the same as the first, except that Empowerlogic presumes that the subsidiaries are required to comply with all seven implements (even if their turnover is less than R35 million, since the holding company's is greater than R35 million), for their individual scorecards instead of only four BBBEE elements as stipulated in the QSE scorecard. Therefore, the second point makes more sense in the context that it was used (it follows on from the first point), since if the holding company's turnover is less than R35 million, then the subsidiaries should only comply with the four BBBEE elements of the QSE scorecard. The problem with this interpretation is that it assumes that "individual BBBEE scorecards for each related enterprise" specifically refer to the generic scorecards for enterprises that have a turnover of over R35 million, but this is not expressly stated in the excerpt. The excerpt aforementioned shows Empowerlogic's handwritten comments, on the "Guidelines on complex structures & transactions, and fronting (previously Statement 002)" document.

DTI's BEE division was contacted on several occasions and four different consultants were asked to explain, which interpretation was correct. Three of them were quick to offer their views (which was in agreement with the first interpretation), but all of them were unwilling to place their responses in writing, in which case the researcher was promptly directed to another BEE consultant or was put on hold while the consultant conferred with senior BEE consultants. In three instances the researcher was cut off (probably deliberately as they were unable to answer the question). Eventually, one consultant suggested that the question is e-mailed to him and he would forward it to other "BEE gurus" in an attempt to find the correct interpretation of the excerpt. The BEE consultant was contacted after a week of no response and this was his response:

"I just got a call now to say that the statement is straightforward, those agencies must just take it as it is or refer to the BEE Codes."

This perplexing and equally ambiguous response (since the whole problem specifically related to interpretation of the paragraph in question from the "guidelines on complex structures &

transactions and fronting" document and is not mentioned anywhere in the BBBEE Codes of Good Practice), was immediately followed up with the following "Yes" or "No" question:

"So this means that the subsidiary can use the QSE scorecard based on four BBBEE elements (even if the holding company has a turnover of over R35 million), yes or no?"

To which the following nonsensical response was received from the BEE consultant:

"They need to decide if the subsidiaries are doing it as subsidiaries or they want to use the holding as a group."

These puzzling responses and the fact that four BEE consultants could not assist, reflect a poor state of affairs at government level in terms of BEE, coupled with the fact that this piece of legislation is not found in the BBBEE Codes of Good Practice. How can organisations be expected to implement sound BEE measures when not even the BEE champions in SA are able or willing to answer significant questions. Other problems that pertain to BEE interpretations were raised in Categories 11 and 16.8. Advertising agencies can, therefore, effectively choose whether they will comply with the BBBEE scorecards on a national or individual advertising agency level since there is no clarity on this issue. However, when clarity is established on this piece of ambiguous legislation, advertising agencies may be forced to comply with all seven BBBEE elements resulting in lower BEE ratings. The converse is true for those who presently comply with all seven BBBEE erroneously, since they actually qualify as QSEs (that should only contend with four BBBEE elements). Naturally, these quantitative aspects are not necessarily what real transformation is about, but it may serve to alleviate some pressure by providing advertising agencies with more time to develop the three other BBBEE elements in a sustainable way in order to truly transform.

7.2.3   BEE verification agencies

It was encouraging that a majority of advertising agencies confirmed that they had been rated by a BEE verification agency, while some used the services of BEE consultancies. The most well-known BEE verification agency, Empowerdex, was used by a majority of the Cape Town advertising agencies, whereas the BEE consulting companies were primarily being used to get all administrative and BBBEE elements in place before utilising the services of a BEE verification agency for final certification.

Category 7 – Companies can legally create their own scorecards
Advertising agencies are encouraged to use independent verification sources, according to the BBBEE Codes of Good Practice, but this is not an absolute and self-assessment is permitted.

However, BEE verification agencies such as Empowerdex disclosed that they were not willing to verify self-assessed scorecards. Findings from the KPMG BEE 2008 survey revealed that a third of the five hundred respondents computed their own scorecards (KPMG, 2008), whereas all of the Cape Town advertising agencies had opted for the independent verification route. The principal reason cited by KPMG respondents for calculating their own BBBEE scorecards was a direct consequence of there being no accredited BEE verification agencies, and this fact has also delayed a couple of advertising agencies from finalising their scorecards.

Category 8 – BEE verification agencies have not yet been accredited

The fact that no BEE verification agencies have been accredited has not been widely publicised and resulted in the question whether to use a BEE verification agency (in other words, independent verification) route or self-assessment. It can be assumed that BEE verification agencies have greater expertise, especially larger ones such as Empowerdex, which construct scorecards and verify advertising agencies' BEE credentials. However, there is a question as to whether all BEE verification agencies have the necessary qualifications to assess BEE credentials if they themselves are not accredited? ABVA's primary purpose is to assist with accreditation of its members (BEE verification agencies) who have all applied to SANAS for accreditation (ABVA, 2008d). For some unknown reason, SANAS postponed the accreditation process as of 28 July 2008. SANAS was commissioned four years ago to create criteria for accreditation of BEE verification agents, but all that they have produced within this time is a single BBBEE verification manual (in July 2008) (Stewart, 2008a:4). The findings of this BEE study show that there is significant confusion in the advertising industry regarding accreditation of BEE verification agencies, which has undoubtedly delayed the pace at which transformation could advance. The abovementioned are also contributing reasons for lack of a standardised format for BEE contribution certificates and scorecards, which will is discussed in Categories 9 and 11.

7.2.4   Advertising agency BEE contribution levels or ratings

Category 9 – BEE contribution levels

All advertising agencies in Cape Town, except for one (which is in their corrective year and will have a BEE rating next year), have BEE contribution levels. This is significant and a mean average of a level four contributor, which is even more remarkable. The national average contribution level was six, according to the most recent KPMG BEE 2008 survey (that includes all industries), and the TSC sector received a level five contributor status in the same survey (KPMG, 2008). Therefore, the Cape Town advertising industry is well ahead of the national average across industries and for its industrial sector. BEE contribution certificates were used to verify the BEE ratings and all information provided by the interviewees, was found to be accurate.

However, the complete opposite was true in terms of information that was supplied pertaining to EE plans, which are fully elaborated on in Category 40. It was not possible to calculate average

scores for the individual BBBEE elements, since a majority of the BEE certificates were in different formats, which depended on the BEE verification agency or consultancy that established them (even Empowerdex used two different formats), and this resulted in individual scores for BBBEE elements being omitted. Two advertising agencies raised the same concern about formats, which is also referred to in Categories 8 and 11.

The fact that advertising agencies had aimed to increase their BEE contribution level in their BEE verification assessment is encouraging. The national BEE survey, which was conducted by KPMG in 2008, found that companies across all industries desired to achieve a BEE contribution of level four by 2010, whereas collectively, Cape Town advertising agencies had already attained those targets. Some advertising agencies confirmed that clients had placed pressure on them to reach a certain level so that they could improve on the preferential procurement score. This phenomenon indicates that BEE has a positive impact on companies to become BEE compliant and to strive to increase their BEE contribution levels; however conversely it may simply become a numbers game and the question should again be asked whether real transformation is occurring in the Cape Town advertising industry.

7.2.5   Cost and complexity implications of the BEE recognition process

Category 10 – Cost implications to obtain BEE recognition

The BEE recognition process costs advertising agencies a fair degree of time and money, but the benefits discussed in Category 13 certainly appear to outweigh the monetary expenditure, which most viewed as an operating cost. A medium-sized Cape Town advertising agency estimated that the tangible costs of obtaining their BEE contribution certificates was about R60 000. This is not huge in terms of a company whose turnover is nearly R100 million per annum, however, another advertising agency estimated that their net profit margin was as low as 2%. Turok (2006:59-64) agrees that the implementation of any BBBEE element is a costly undertaking, especially in terms of money, time, commitment and other resources, but also concurs that several companies view it as operational expenditure. However, he was of the opinion that few BEE investors would be willing to fund the BEE investment risk of deals (to ensure that they succeeded), which could be an expensive exercise for the company that instigates the deal, should it fail. The main problem appeared to be in terms of time; the BEE process involved time consuming tasks that tied up key personnel who also needed to complete their everyday responsibilities in their already hectic schedules. Tight timeframes and client deadlines were provided as reasons for the failure of the BEE Monitor and MAPPP-SETA advertising skills needs analysis surveys. As mentioned previously, it took nearly two months to obtain appointments and interviews with twelve senior employees and thereafter an additional two months to acquire relevant BEE documents. This indicates the kinds of demands that are placed on senior advertising agency personnel. It is a tricky task to quantify all BEE costs, whilst surprisingly, none of the national BEE surveys cited cost as a major challenge.

Category 11 – Complicated process to obtain BEE recognition

Time was again identified as the main problem in terms of implementing preferential procurement. Some advertising agencies use hundreds of suppliers and simply do not have the time to check on all of them for BEE contribution certificates, coupled with the fact that the BEE recognition process is administratively-driven (there are several onerous documents that should be completed, which should be accompanied by applicable evidence). There is no standardised format for BEE contribution certificates (as mentioned in Categories 8 and 9) and the dearth of BEE interpretations for key legislation (also cited in Categories 6 and 16.8), adds to the complexity of the task. The BBBEE baseline 2007 survey found that numerous companies (especially the smaller ones) displayed a lack of understanding of BBBEE principles (Consulta Research, 2007). The KPMG BEE 2008 survey also revealed that several suppliers had little understanding of BBBEE (KPMG, 2008). Siyengo (2007:48) uncovered that several tourism entrepreneurs had difficulty understanding the complex BBBEE scorecards and Fauconnier (2007:163) found that the mining industry was uncertain pertaining to ambiguous BEE legislation.

Category 12 – Deception in the BEE recognition process

BEE is open to dishonesty and deceptive practices, which could continue to transpire as long as there are loopholes, which allow companies to improve BEE contribution levels and hence a possibility to increase business as a result of good BEE credentials. Refer to Categories 15 and 16.8 for further discussion of dishonest BEE practices. Director of KPMG, Sandile Hlophe, agreed that it was easy for companies to fiddle with figures, which added little value to BEE (Peacock, 2007b:16). Multiple problem areas identified in Categories 6, 8 and 9 could be thwarted if clear legislation and interpretations were established.

7.2.6 BEE recognition worth versus time and monetary outlay

Category 13 – Reasons why the BEE recognition process was worth the effort

Over a third of the advertising agencies confirmed that the BEE recognition process has merit primarily because it allowed them to pitch and gain new business, as well as government accounts (although one advertising agency was of the opinion that there was not much government business available in Cape Town owing to the prevailing ruling political party). This was how the ACA initially promoted their initial BBBEE ownership target of 26% (by 2004), without which the advertising agency would be excluded from all government business (Koenderman, 2002a:66). This strategy appears to have worked since eleven of the twelve Cape Town advertising agencies that were interviewed, have subsequently attained the target (one is just below 26%). Refer to Categories 18.3, 18.5 27.1, 27.2. 33.3 and 35 for further deliberation on the aforementioned new business and pitch list benefits of BEE.

Category 14 – Simple to maintain scorecard upon completion of BEE recognition process

Advertising agencies generally believed that the BEE recognition process was easy to maintain if it was monitored frequently. The fact that some advertising agencies continuously monitor their scores is also encouraging, even though they strive to improve their BEE status at the same time that they address the BBBEE elements in order to advance transformation. This is a unique finding since it was not mentioned in any of the previous literature or uncovered by other studies, but it is encouraging for those companies who are yet to experience the BEE recognition process.

Category 15 – Problems with the worth of BEE recognition

Generally, small advertising agencies do not have a great deal of free income and/or time, which is further compounded by small companies that display the least amount of BEE understanding (refer to Category 11). However, the benefits discussed in Category 18 should compensate them for the investment. It is also true that some companies do not ask for BEE credentials when an advertising agency pitches for their business, however, larger clients generally insist. This occurrence was alluded to in Category 13 and will be further elaborated on in Categories 18.3, 27.1 and 27.2; this was not revealed by any of the BEE literature or other research. The other problem of the BEE recognition process being open to deception, is discussed in Categories 12 and 16.8, however, if the process became more regulated, this should be reduced.

7.2.7 Key problems encountered in the transformation process

Category 16 – Problems encountered in the transformation process

A diverse array of problems were raised concerning the transformation process, some of which had already been alluded to by single advertising agencies in prior questions, but stronger supporting evidence was gathered, in that more than one advertising agency now raised the same problems.

Category 16.1 – BEE versus real transformation problems

The underlying thought in the BEE versus real transformation problems surfaced in Category 5 (and will also be deliberated on in Categories 17.1, 21 and 22), where one advertising agency stressed that transformation and BEE had little to do with each other. The perception is that this transformation problem is caused by the fact that advertising agencies are more concerned with the mechanics and/or quantitative targets of BEE than truly transforming society. Reed (2003) declared that several large companies were more concerned about BEE regulations than acting in the true spirit of transformation and, consequently, did not make any difference to their stakeholder's lives. These views are a sad reality of what BEE has become to SA companies: the press proclaims the failings of BEE on a regular basis and will remain to do so until there is a mind-shift. Balshaw and Goldberg (2005) added that BEE tended to be narrow-based and in the end benefited a few. Indian and Malaysia's transformation endeavours resulted in the same outcome, since only a minority were empowered. The xenophobic attacks, high crime levels and general restlessness amongst the lower echelons of the Black majority, are indicative that BEE has not yet made a tangible difference to their lives.

Therefore, the question should be asked again, namely what can be done to make a real difference in many peoples' lives? One advertising agency embarked on such a transformation endeavour by implementing a project that literally employs hundreds of homeless people (of all races), which improves the quality of their lives; however it counts for naught in terms of the BBBEE scorecard. Therefore, even though some advertising agencies have attempted to strive beyond the constraints of BEE in order to make a difference, it is apparent that the system is dogmatic. It only endorses what is outlined in the parameters of the seven BBBEE elements and makes no allowance for special endeavours that promote real transformation. The Harvard research study (Andrews, 2007) came to the same conclusion and proposed that BEE policy should benefit the masses of Black PDIs by encouraging companies to provide jobs for the unemployed by allotting bonus BEE points. The one positive is that some advertising agencies are aware of potential dangers of BEE and will hopefully implement it in a way that encourages real transformation, as some already have.

Category 16.2 – Black staff transformation problems

Some Black staff transformation problems were stereotypical in nature (but nevertheless can be problematic). For example, Black PDIs who are not interested in advertising careers, job-hop and cannot be employed without the services of employment agencies. Other problems are realities such as a shortage of skilled Black PDIs, especially in the creative arena. The BBBEE baseline 2007 survey findings revealed that two of the greatest obstacles to BBBEE were a high turnover of Black people and a shortage of skills (Consulta Research, 2007). These same findings were confirmed by the KPMG BEE 2008 survey and in fact these staff-related problems have been highlighted in nearly every study or survey on BEE. Kgomotso Matseke, CEO of Actis African Empowerment Fund, disagreed with these findings and reported that there were several skilled Black professionals, but companies were anxious to employ them for fear of being used as stepping stones (Peacock, 2007c:17). Possible solutions to these problems are comprehensively discussed in Category 17.2, as well as in Categories 43 and 44.

Category 16.3 – Client transformation problems

Particular clients from other industries are not as progressive as the advertising industry and, therefore, do not understand what real transformation is about and are purely interested in BEE credentials. These clients tend to dictate what advertising agencies can and cannot do, which constrains them from embarking on real transformation. This problem was highlighted in the communication value chain and in the parliamentary hearings by SAARF, whereby the clients were on top of the chain and, therefore, dominant players with power to drive the transformation process positively. However, this has not happened in some instances and is confirmed by the fact that some clients do not ask for advertising agencies' BEE credentials, as revealed in Category 15. Possible steps, which would solve these problems, are provided in Category 17.3.

Category 16.4 – BEE partner transformation problems

It is important for advertising agencies to find partners that are congruent with their corporate values, objectives and strategies to circumvent unforeseen transformation problems in the future. Fauconnier (2007:154-158) also found that selection of the most fitting BEE partner(s) was a major challenge in the mining industry. A few advertising agencies raised problems in terms of BEE partners in this category, but these are further explored in Categories 17.4, 26.1 and 31.

Category 16.5 – International ownership transformation problems

The international majority-ownership of advertising agencies in SA appears to compound the problems in the transformation process, since there is less shareholding available, which is distributed among local shareholders. It provides an opportunity to misrepresent BEE credentials and BEE implementation is hindered by stringent regulations, which are enforced by certain international companies. Conversely, Butler (2006:80-85) was of the opinion that BEE deals and measures were detrimental to the much required foreign investment in SA, owing to high costs that are associated with BEE and subsequent decrease in ROI. This problem is further investigated in Categories 17.5, 18, 20.2 and 31.

Category 16.6 – Racial transformation problems

White males should be the last candidates and last in the pecking order in terms of EE. Some White interviewees pondered over the truth that by embracing transformation, they were effectively working themselves out of a job or financial rewards. It is commendable that a majority of interviewees were White males and openly embraced BEE, but it was literally costing them to do so. This was an original finding since it was not disclosed in the extensive literature review; feasible steps to resolve this remarkable problem are considered in Category 17.6.

Category 16.7 – Cape Town versus Johannesburg transformation problems

Johannesburg is ahead of Cape Town in terms of racial integration and its number of talented Black PDIs. The political state of affairs in the Western Cape could have had something to do with the apparent lack of social integration and the fact that higher salaries in Gauteng play a role in luring aspiring Black talent to the region. Paice (2004:18-20), Aspoas (MD of TJDR) and Koenderman (2007b:148) agree that Cape Town advertising agencies will continue to struggle to attract Black talent owing to the political situation, lower salaries compared to Johannesburg and the fact that Cape Town does not necessarily reflect a South African way of life. A range of other explanations is further investigated in Categories 43.1 and 45.1 under the EE section and potential solutions in Category 17.7.

Category 16.8 – Other transformation problems

There was some perplexity concerning use of the MAC Transformation Charter versus the BBBEE generic scorecard, which is further expounded upon in Categories 17.8 and 20.4. Often the young Black persons are easily influenced by White role models and tend to imitate their every move.

They, therefore, run the risk of losing their cultural identity, which result in the "White Black" employee syndrome - a phenomenon whereby Black people have adopted their White counterparts' culture in terms of their beliefs, values and customs, which then serve to guide their behaviour. This phenomenon of conforming to other cultures defeats the object of employing Black people, which is to utilise their diversity and richness to reach diverse target markets in SA. BEE fronting remains a problem in SA today, yet there are very few examples concerning the action that has been taken against perpetrators, hence this transformation problem will continue to manifest. The BBBEE Codes of Practice is filled with measures that have been specifically established to circumvent this deceitful practice (also discussed in Categories 12 and 15), but it will continue since the DTI does not have the human resources or resolve to monitor fronting and has left this all important task to the BEE verification agencies that are yet to be accredited (Peacock, 2007a:17). Potential steps to solve some of these problems are investigated in Category 17.8.

7.2.8 Steps to address transformational process problems

Category 17 – Steps implemented to address transformation problems
Half the advertising agencies offered possible measures that could be implemented to help solve problems that are encountered in the transformation process, which are revealed in Category 16, but others believe that nothing could be done to solve the abovementioned difficulties. It should also be taken into account that BEE literature and studies have predominantly focused on the challenges, while largely ignoring possible solutions to address them. Hence, several suggestions and BEE measures, which have been implemented, are totally unique and should serve as recommendations to address transformational process problems. A majority of the possible solutions were only briefly mentioned in this section and are more fully discussed in the BBBEE ownership and EE sections.

Category 17.1 – The key to BEE versus transformation problems
A single advertising agency believed that the key to making a difference in the lives of Black PDIs was not necessarily financially, but to raise their self-worth and to allow them to realise their self-actualisation goals. Lidiga agreed with this view and stressed that there would not be a democracy until all Black people felt that they were architects of SA society (Empowerdex, 2008b:5). This is a difficult prospect and there is no single answer, but a good start would be for advertising agencies to realise that real transformation is more than BEE mechanics and quantitative targets. They should start initiatives that actually allow Black individuals to personally experience transformation. Some of these endeavours and other aspects are disclosed in Categories 21, 22 and 40.

Category 17.2 – Steps implemented to address Black staff transformation problems
Discretionary trusts can be effectively used to retain Black staff, but will be expanded upon further in the EE section. It is true that some Black PDIs who have scarce abilities are offered lucrative

salaries to attract them to larger advertising agencies or into other industries; the MD of TDJR agreed that it would be difficult to attract and retain Black talent if they were not paid competitive salaries (Manson, 2005:102-105). Mateseke believed that the right incentive such as awarded shares, would help to retain Black staff (Peacock, 2007c:17), but there are also numerous problems that are associated with this myopic incentive, which are disclosed in later text. Training programs can be used to create job satisfaction, which may result in a high staff retention rate. As mentioned in a prior category, if Black staff thought differently about themselves, it would help solve Black staff problems. However, the solution as to how to attain this, is still in the making. Previously mentioned solutions to solve Black staff transformation problems, are more fully investigated in Categories 43 and 44.

Category 17.3 – Advice for client transformation problems

The suggestion made regarding client-related transformation problems was to simply attain good BEE credentials that they desired. There is nothing that advertising agencies can do about their clients being on top of the communication value chain whereby they control the transformation process. Advertising agencies can also do little if their BEE credentials are not requested, since they need to win new business in order to survive, regardless of transformation.

Category 17.4 – Advice for BEE partner transformation problems

It is important for advertising agencies to select a fitting BEE partner who can add real value to the business. The BusinessMap Foundation (2004) agrees with this advice and stated that several partners added little value to BEE deals, since they accumulated too many investments without the necessary knowledge and proficiency to make meaningful contributions to all of them. This category is fully discussed in the BBBEE ownership section.

Category 17.5 – Advice for international ownership transformation problems

As mentioned in prior text, several international companies have openly embraced BEE by forgoing their majority ownership to the local advertising agencies in order to further transformation, while others will not do so for two main reasons. International advertising agencies cannot reflect the SA advertising agency figures in their financial statements if they do not own a majority stake and the only way that they can get their ROI out of SA is by means of dividends. These problems are more aptly explored in Categories 20.2 and 31 under the BBBEE ownership section.

Category 17.6 – How to address racial transformation problems

In several instances Black staff are unequally remunerated and employed, as advocated by BEE and AA, hence the question is how to make White employees not feel prejudiced? The theoretical solution is to grow the advertising agency, which will allow White staff to be retained, more Black PDIs to be employed and greater rewards for all. The main difficulty attached to this theory is how to grow a business in a competitive environment and tough economic climate?

Category 17.7 – Explanation of Cape Town transformation problems

How can one overcome the fact that Johannesburg pays higher salaries? Simple solutions would be to pay scarce Black talent their worth (as mentioned by a single advertising agency in jest) and/or utilise some form of staff trust to retain them. Social integration would improve marginally in the Western Cape with a change in the ruling political party, but others simply believe that diverse cultural groups socialise in their own way and little can be done to change this occurrence. This still does not fully explain the lack of Black people who socialise in Cape Town and this phenomenon, as well as additional factors, which are more thoroughly examined in Categories 43.1 and 45.

Category 17.8 – Possible solutions to other transformation problems

The DTI's generic scorecard should be utilised at this present moment, since the MAC Transformation Charter was only gazetted in terms of Section 12, which is not binding. Refer to Categories 16.8 and 20.4 for related discussions. Different people are more secure and content with themselves than others; it depends on each individual, irrespective whether they are Black or White. No solutions were offered in terms of circumventing BEE fronting, but there has been much discussion in the press about making BEE fronting a criminal offence, which should reduce this deceitful practice. Administrative, time and interpretive issues that relate to the BEE transformation process can be solved by employing BEE consultancies and/or staff (as recommended in Category 11), but this is a costly option. However, it does show the true intentions of an advertising agency and how serious they are in terms of real transformation.

7.2.9   Benefits that emanate from BEE credentials

Category 18 – Benefits as a result of BEE credentials

A diverse assortment of benefits was listed as a consequence of having BEE credentials and it became evident that the better the BEE credentials, the longer the list of benefits. Two internationally owned advertising agency conglomerates were not aware of receiving benefits from their BEE credentials, since both of their BEE contribution certificates had expired and they were at the bottom of the list in terms of BEE contribution levels. It is apparent that some international conglomerates have constrained the advancement of transformation in their SA advertising agency subsidiaries. Refer to Categories 16.5, 17.5, 20.2 and 31 for further discussion on this problem. As mentioned in the previous section, literature and other research studies have mainly concentrated on the problems of BEE, instead of ways to solve them or the benefits of sound BEE credentials. Therefore, some of the benefits and authentic BEE measures that have been implemented by the Cape Town advertising agencies, are completely new and should be publicised to showcase advantages of having a transformation agenda.

Category 18.1 – Diversity of staff benefits

Several presentations at both parliamentary hearings emphasised that it did not make sense for White people to create advertisements that are directed at the Black market (PMG, 2001b & PMG,

2002b). It is obvious that Black PDIs have a far superior understanding of the Black target market compared to their White counterparts and it is, therefore, encouraging that half of the advertising agencies believed that diversity of staff was a principal benefit of BEE.

Category 18.2 – Other staff-related benefits
Advertising agencies felt that BEE credentials gave advertising agencies an ability to recruit, provide incentives, empower, nurture and discipline Black PDIs. It is gratifying to observe that this goal appears to be realised and that Black staff are not only receiving, but also delivering benefits, as discussed in a prior category.

Category 18.3 – Deliberation over new business benefits
Advertising agencies do believe that a certain level of BEE credentials is necessary to gain access to potential new clients, but that it should not be a deciding factor in terms of who should win the account. This appears to be a rational notion, since advertising agencies' services are primarily made use of for their creativity, which logically should, therefore, be the main point of appraisal. Refer to Categories 13, 18.5, 27.1, 27.2, 33.3 and 35 that also examine the new business BEE benefit that was discussed in prior text.

Category 18.4 – Client preferential procurement benefits
Advertising agencies have taken cognisance of the fact that BEE credentials were significant to their clients' BEE contribution levels in terms of preferential procurement. It is distressing to observe that a small number of clients, mainly the larger ones, are requesting BEE credentials. This indicates that several companies have adopted somewhat of a reactive stance to BEE, since they do not actively seek to improve this BBBEE element's score or are in advanced stages of the transformation process.

Category 18.5 – Prerequisite for government or big business benefits
BEE credentials are important for advertising agencies when pitching for or retaining big clients (such JSE listed companies) and profitable government business. There appears to be a fair degree of pressure on big companies to transform, but not much on smaller enterprises, which are as important, especially since a notable number of the lesser skilled PDIs are employed in this segment. Categories 13, 18.3, 27.1 and 27.2 provide further discussion and investigate different aspects, which will further illuminate this BEE benefit.

Category 18.6 – BEE training received from big clients
The fact that a big client was willing to take the time to provide BEE training to a small supplier (advertising agency) is certainly what the spirit of real transformation is about. This client has consequently reaped benefits, since the advertising agency became a BEE level two contributor, which, in turn, is now completing the cycle by training its suppliers.

Category 19 – True value of BEE credentials debate

The advertising agencies that only view BEE in terms of attaining new business, are narrow-minded in terms of real transformation, but having said this, even though they have simply implemented BEE for financial gain, it will still make improvements to the lives of their Black PDI employees.

7.2.10 ACA membership prevalence

Cape Town advertising agencies have an above average ACA membership compared to the national average of 80%, which is hugely positive, since the ACA has been a catalyst in driving the transformation process in the advertising industry. The single Cape Town advertising agency, which was not a member of the ACA, gave some interesting reasons why they had opted not to join: firstly, they did not see themselves as an advertising agency and secondly, they believed that their advertising agency would not utilise the ACA's service sufficiently to warrant the high cost of membership. It should be noted that this advertising agency has always gone against the norm in the industry. For example, the advertising industry is renowned for its high staff and client turnover, whereas this particular advertising agency has scarcely lost a client or staff member in a decade. They have also implemented a completely unique transformation endeavour, which was discussed in Category 16.1. It does not matter if an advertising agency is or is not a member of the ACA, as long as they advance transformation.

7.2.11 Awareness of MAC Transformation Charter scorecard targets

The expectation was that all the advertising agencies would have been aware of the targets in the MAC Transformation Charter scorecard, but the different results can be justified once the two negative responses are investigated further. The ACA was the chief instigator of the charter and all of its members agreed to the charter's stipulations in principle; however, the first advertising agency, which was not aware of the target, was the sole advertising agency that was not a member of the ACA. The second interviewee was recently employed by the advertising agency and was still attempting to familiarise himself with the workings of the advertising agency, hence he conceded that he had not yet had an opportunity to immerse himself in the industry charter targets. Both of these interviewees maintained that their advertising agencies had internal targets and that they would measure themselves against the targets in the industry charter once it was gazetted. As mentioned on several occasions, it was gazetted on 29 August 2008 under Section 12 of the BBBEE Act (Act No. 53 of 2003).

7.2.12 Attainment of the MAC Transformation Charter targets

A quarter of the advertising agencies had already attained 2009 MAC Transformation Charter targets and another two-fifths intended to comply, although there were a couple that were uncertain whether they would be able to reach the targets and others were unaware of the targets.

Category 20 – Issues or uncertainties relating to the MAC Transformation Charter and/or targets

The simple expectation was that all of the advertising agencies should have been aware of and strive to attain the targets, but there appeared to be a fair amount of concerns that should have been worked out before this expectation would be realised.

Category 20.1 – The MAC Transformation Charter has not been gazetted

A notable number (42%) of advertising agencies were waiting for the MAC Transformation Charter to be gazetted, at the time of the interviews, before they would do anything about it. Subsequently, the charter has been gazetted but this delay is entirely the fault of the SA government. The charter was handed to DTI on 28 September 2007 and was only gazetted on 29 August 2008 under Section 12 of the BBBEE Act (2003). It took DTI eleven months to review a 26 page document that was closely aligned to their generic BBBEE scorecard. However, the MAC Transformation Charter was also only gazetted in terms Section 12, which is not binding on the industry, but at least is another step in the right direction of real transformation. It would be interesting to see how the advertising agencies reacted upon hearing that the MAC Transformation Charter had been gazetted, since only a minority were aware that charters could be gazetted in more than one way and how this would influence the findings of this BEE study.

Category 20.2 – International ownership constraints inhibit MAC Transformation Charter targets

It is apparent that any form of international ownership will potentially have a negative impact on local advertising agencies' ability to meet the MAC transformation targets. However, this problem should also be examined from the international company perspective, as highlighted on several occasions in prior text, since they cannot reflect subsidiary figures in their financial statements unless they hold a majority share. There appears to be no easy solution to the problem, unless the international company really wants to sacrificially advance transformation in this country by relinquishing their majority shareholding. Categories 16.5, 17.5, 18 and 31 also discuss related problems and these are further explored in greater detail in the BBBEE ownership section.

Category 20.3 – Differences between MAC Transformation Charter and DTI's generic scorecards

It was pointed out by two advertising agencies that there are several differences between the MAC Transformation Charter and DTI's scorecards, even after the ACA attempted to harmonise the scorecard before submitting it to the DTI. However, it is reasonable to expect that charter scorecards will be marginally different from generic scorecards, since they should take into account the unique environment, conditions and operational factors of the industry. Key differences between the two scorecards is that the charter has more demanding targets, since the advertising agencies will have four years less to accomplish the targets and fewer points are on offer (the MAC Transformation Charter does not make provision for bonus points). In light of these differences, the ACA may struggle to promote the more stringent charter scorecard targets to its member advertising agencies (should it be gazetted according to Section 9), although all of the relevant

stakeholders were consulted throughout the developmental process. The charter would, therefore, force advertising agencies to implement BBBEE elements more rigorously, which would speed up the BEE process within the advertising industry.

Category 20.4 – MAC Transformation Charter versus DTI's generic scorecard

There was some confusion whether the MAC Transformation Charter or DTI's generic scorecard should be used. Advertising agencies should follow the DTI's generic scorecard, since the MAC Transformation Charter was not gazetted in terms of Section 12. However, advertising agencies should use the targets as a benchmark, since the MAC Transformation Charter will eventually be gazetted in terms of Section 9, which makes the targets compulsory for the entire advertising industry. This will give it equivalent legislative status as DTI's generic scorecard. A related discussion is found in Categories 16.8 and 17.8.

Category 20.5 – Economic climate may hinder MAC Transformation Charter targets

An advertising agency also highlighted that strong economic growth makes implementation of BEE measures easier and swifter, for example, more Black PDIs can be employed as the advertising agency grows. The Malaysian experience agreed with this notion and emphasised that economic growth was essential for sustainable transformation and development of SMMEs. During times of economic prosperity companies are generally more prepared and able to increase EE, inject money into socio-economic and enterprise development and other community developmental projects (Athukorala and Menon, 1999:1122-1123). SA has experienced steady economic growth over the past couple of years and the rapid increase in advertising spend is testament to this economic prosperity. However, over the last year there has been a noticeable decline in economic activity with the current global financial crisis, which does not bode well for accelerated attainment of advertising industry targets.

7.2.13 Advantages of attaining MAC transformation targets

The expectation was that all of the advertising agencies would list a range of advantages, but instead several provisos were highlighted and more than half the advertising agencies were uncertain or did not believe there were any merits in accomplishing the MAC transformation targets. Those that did not believe that there were any advantages, attributed this largely to the fact that the charter had not yet been gazetted. Their responses did not appear to be logical, since by striving to attain the challenging targets, they would become more empowered and that results in a number of benefits that they had already listed (refer to Category 18). The only rational explanation to these puzzling responses is that some of the advertising agencies did not perceive BEE and MAC transformation targets to be the same thing, since one was stipulated by the government, while the other was simply another industry endeavour that would not become prescriptive.

Category 21 – BEE versus real transformation proviso to MAC targets

It was encouraging to see that statements and provisos that were given were predominantly concerned with the BEE versus real transformation problem (cited in Categories 16.1 and 17.1) and the discussion in this category serves to continue and reinforce what was previously revealed. Transformation is about equal opportunities and making a difference in people's lives; therefore, BEE should not simply be concerned with quantitative targets or misuse for gain, which is sadly the case for some advertising agencies. Two advertising agencies accentuated the fact that transformation was not about only benefiting a few rich Black people; however this is what certain elements of the charter or scorecard seem to imply.

Category 22 – BEE may not be the answer for real transformation

A third aspect of the BEE versus transformation problem/debate emerged. One advertising agency believed that the targets and scorecards had value, but did little to transform the industry. Another felt that BEE should be terminated after 21 years, because if it had not accomplished its goals after this period, another solution should be sought. What else can be done to truly transform the advertising industry? BEE was implemented correctly by some advertising agencies and resulted in real transformation, whereas BEE has failed to accomplish real transformation that tangibly made a difference to people's lives, in other words, largely because it was done simply to comply with numbers. Mistakes have also been made in terms of implementation of certain BBBEE elements, for example, choosing the wrong BEE partner or promoting PDIs too quickly. The ratio of success to failure of BEE is determined on a daily basis. Advertising agency success stories from this BEE study can be emulated, while failures can be avoided in order to make BEE work. Perhaps other alternatives to BEE and improved solutions to transformation will emerge over time as BEE runs it course in SA history, but the answer to the aforementioned question remains, a difficult one.

7.3   BBBEE ownership

Ownership structures, benefits, challenges and best practice are discussed together with the most recent BEE literature, research and surveys (although the text was relatively limited and little related directly to the findings of this BEE study, hence a fair number of unique findings will be unearthed) pertaining to the BBBEE ownership element. Some advertising agencies have made progress in terms of the DTI's scorecard and/or MAC Transformation Charter targets, therefore, heeding the ACA's promotion of this BBBEE element. There was a noteworthy amount of congruence with the overall transformation and BEE section, which is appropriately cross-referenced to ensure effective continuation and comparison of results. Refer to Figure 7.2 for an overview of the BBBEE ownership progress categories. The diagram summarises and highlights factors (revealed by this study) that promote, contradict and hinder BBBEE ownership progress in the Cape Peninsula advertising industry.
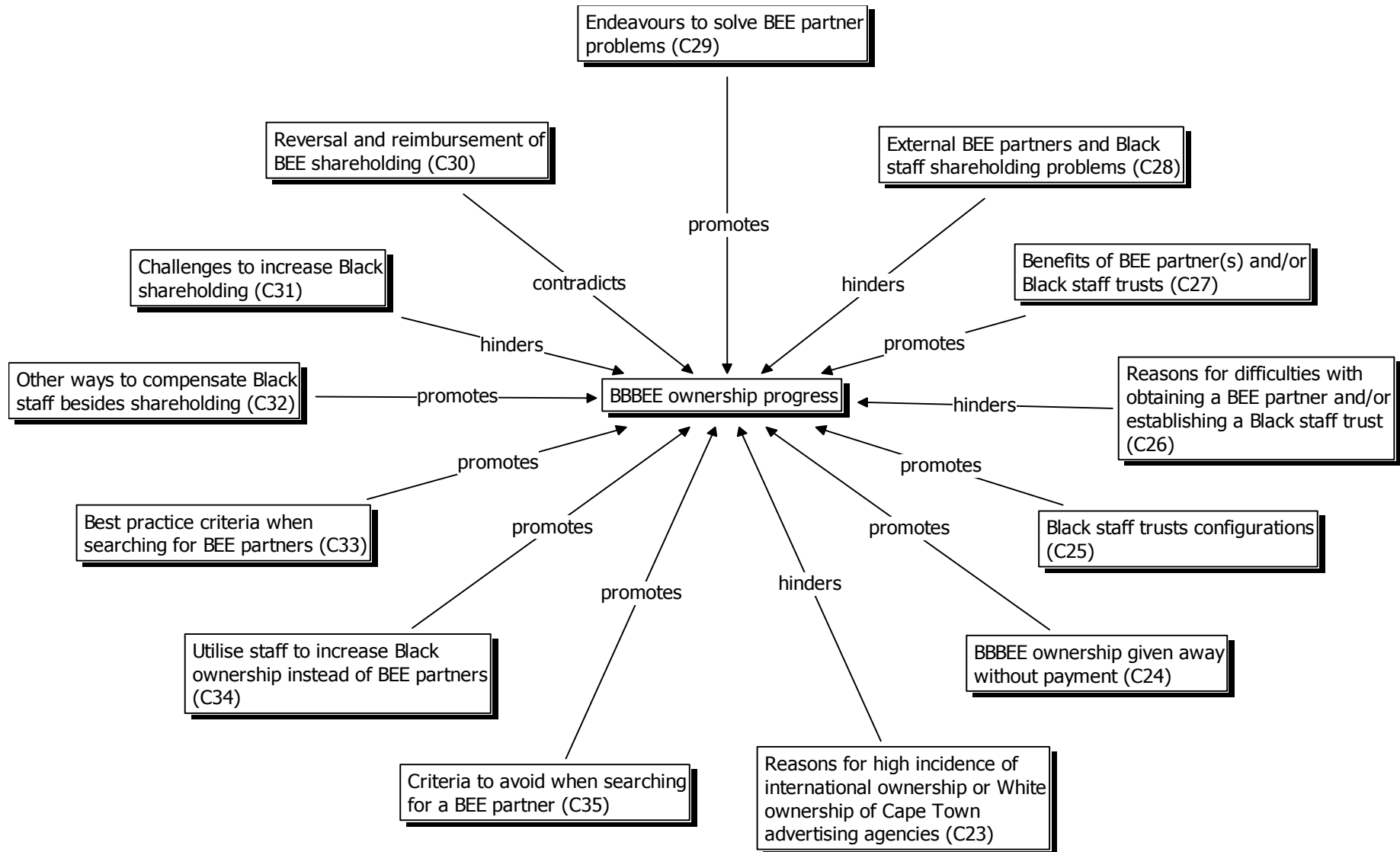
Figure 7.2: Overview of BBBEE ownership progress categories

7.3.1　BBBEE ownership structures

Three quarters of Cape Town's advertising agencies are either majority internationally or White-owned versus only a sole majority Black-owned and another with precisely 50% Black shareholding. Several explanations were offered for a predominance of White or international ownership of Cape Town's advertising agencies, which are outlined in Category 23. A combination of ownership structures were adopted by the advertising agencies in various ratios, but the unforeseen and encouraging finding was the high incidence of Black staff shareholding and/or Black staff trusts, which are fully discussed in Category 25. It was anticipated that Black ownership incidence in the Cape Town advertising industry would be significantly greater than its current paltry 36%, since nearly two years have passed by since the ACA last reported that the national average (2006) of Black ownership was 37.6% (Da Silva, 2006). Reasons for this lower than anticipated figure, is discussed in Category 23. However, it is positive that this percentage indicates that a majority of Cape Town advertising agencies have already achieved the Black ownership MAC Transformation Charter target of 30% for 2009.

Black ownership can be achieved by two means, firstly, by locating a suitable Black partner (either a company or individual independent from the advertising agency) and, secondly, by internally allocating shares to staff directly or by means of a staff trust. The external BEE partner route was an initial strategy that was adopted by advertising agencies when the ACA set a Black ownership target of 26% in their first Transformation Charter in 2000. Some advertising agencies simply found an influential Black individual or company to achieve the target and this Black partner's function was effectively of an investor. They attended board meetings and received dividends from their investment, but had little say in business operations and only a handful of already wealthy Black individuals (the Black elite) benefited from this Black ownership structure. One advertising agency explained how they were careful not to enter into an ownership deal with only a couple of people, as they believed that this was not the essence of true empowerment, but after a long process, eventually found a union as a BEE partner, where over 20 000 people benefited from the BEE agreement.

Category 23 – Reasons for high incidence of international ownership or White ownership of Cape Town advertising agencies

As mentioned in prior text, international advertising agency groups can only enter SA advertising agency figures in their consolidated financial statements if they own a majority stake. Furthermore, these advertising conglomerates can only get their ROI out of SA by declaring dividends and can consequently determine the amount if they own a majority stake of the company. Therefore, it was an enormous sacrifice for the three international advertising agencies that have been willing to give

up their majority holding in recent years. In fact, one has regretted their decision and wants to purchase the majority shareholding back, but the SA advertising agency has declined the offer. The principle reason for White owners having declined to give up their majority shareholding, is that they were the founders of the advertising agencies and, therefore, have worked long hours to build and develop the advertising agency, whilst enduring a tough economic climate for the past two decades. Therefore, they want to enjoy the fruits of their labour, especially in a period of relative economic prosperity in SA; in spite of this, several have sold and/or have freely sacrificed chunks of their business in order to advance BEE.

Category 24 – BBBEE ownership given away without payment

The fact that two advertising agencies gifted significant portions of their advertising agencies to advance BEE in SA are examples that again portray real transformation, especially since both of these are multimillion rand operations. One advertising agency gave 25% of their company to an external BEE partner for free as the shares were paid for via dividends, while and the other granted 20% of their shareholding to a Black staff trust at no cost.

Category 25 – Black staff trusts configurations

It was also uplifting to discover that in recent years new Black ownership strategies have emerged, not only to benefit a few senior staff members or investors, but in some instances the entire staff compliment of an advertising agency, which resulted in real transformation. A recent example of an innovative broad-based ownership BEE scheme occurred when huge multinational companies offered BEE shares at discounted prices to allow multitudes of Black working-class persons to benefit from transformational transactions (Milazi, 2008a:8). However, several advertising agencies have taken an equally innovative approach to Black staff shareholding by establishing Black staff trusts.

It should be noted that Black staff shareholding is different compared to a Black staff trust (although these terms are used generically by advertising agencies), but were grouped together in the findings of this BEE study owing to the fact that some advertising agencies have literally created a Black staff equity trust (a combination of the two), which, in reality, is a mechanism, which is utilised to effect Black staff shareholding. Allocation of shares to Black staff, usually a few senior members, can be described as Black staff shareholding. Whereas shares that are allocated to a trust, which is used to monetarily motivate and improve the lives of the larger proportion of Black advertising agency staff (that do not actually own the shares), can be defined as a Black staff trust. Of the eight advertising agencies that reported to have Black staff shareholding or trusts, in terms of the above definitions, five had Black staff shareholding (one of which was the founder of the advertising agency, hence he did not receive shares since he owned them); two had a combination; and one had an authentic Black staff trust.

The genuine Black trust was the most noteworthy, since it truly reflected transformation, since it not only monetarily benefited all Black staff that worked for the advertising agency, but also provided free training to develop their skills; at the same time it did not totally exclude White staff that could benefit for outstanding performance. These trusts encourage real transformation and definitely break the stereotypical image of BBBEE ownership that only benefit the Black elite. Over the next couple of years, Black staff shareholding and/or trusts ownership alternatives will perhaps surpass the out-of-date external BEE partner option, simply owing to the greater number of benefits (discussed in Category 27.3) that emanate from these innovative Black ownership structures. It is a fact that some advertising agencies have already indicated that they desire to increase the percentage of Black staff shareholding or trusts in the foreseeable future by reducing the external BEE shareholding percentage. Other aspects of Black staff trusts are fully investigated in Categories 26, 27 and 28.

7.3.2 Difficulties in obtaining BEE partners and/or establishing Black staff trusts

Advertising agencies were evenly split on whether it was a difficult process to find a BEE partner. Generally, the advertising agencies that had long-term relationships with their BEE partners found the process easy, whereas advertising agencies that had a Black staff trust, unanimously agreed that it was a complicated process to establish them.

Category 26 – Reasons for difficulties with obtaining a BEE partner and/or establishing a Black staff trust
A majority of the advertising agencies believe that it was a complex process to find a suitable BEE partner and/or to establish a Black staff trust for a range of reasons that are discussed in Categories 26.1 and 26.2.

Category 26.1 – Reasons for difficulties with obtaining a BEE partner
Advertising agencies did not have a problem in finding a BEE partner, but found it difficult to find the right one. They wanted BEE partners that would make a difference to people's lives, were passionate, would make a contribution and were a fitting match with the advertising agency. Fauconnier (2007:154-158) also found that the mining industry struggled to find suitable BEE partners that provided the best strategic match. She discovered that the following important when evaluating possible BEE partners: knowledge of and dedication to the industry; BEE credentials; alignment of interests (in other words an open accord of what was expected from the deal); full trust; and a strategic alignment with individual and/or company cultures (values). Advertising agencies have similar requirements, but would diverge on one aspect when compared to the mining industry (only if their BEE partner would to play an active role in running the business): they welcome the cultural diversity to produce more effective work and also to obtain a different perspective on certain strategic decisions. It is evident from a majority of these reasons that several Cape Town advertising agencies have gone about locating a BEE partner in a sound and sustainable manner in order to facilitate real transformation.

Category 26.2 – Reasons for the problems with establishing a Black staff trust

Several advertising agencies experienced problems with their trusts either owing to a high trustee turnover or the fact that the international advertising conglomerate was required to relinquish shareholding. There were also complexities of determining out the finer details of exactly how the trust would work in order to be as non-discriminatory as possible. As mentioned previously, it is also a complicated process to establish a Black staff trust, but the benefits certainly do outweigh the efforts. This is more fully discussed in Category 27.

7.3.3   Benefits of BEE partners and/or Black staff trusts

Category 27 – Benefits of BEE partner(s) and/or Black staff trusts

A diverse range of benefits were revealed as a consequence of having BEE partner(s) and/or Black staff trusts. The expectation was that a greater number of benefits would have been provided, although some of the advertising agencies implied that the overall benefits of having good BEE credentials (refer to Category 18), were the same or similar when compared to those of having a BEE partner and/or Black staff trust.

Category 27.1 – BEE partners result in pitch list benefits

Advertising agencies are able to get onto pitch lists, since having a BEE partner would increase the BBBEE ownership element score, which would increase their BEE credentials. Although again it was pointed out by some advertising agencies that several of their clients did not require or view BEE credentials as important when they pitched for their accounts. Refer to Categories 13, 18.3 and 18.5 that provided information to substantiate the pitch list benefits of BEE.

Category 27.2 – Other BEE partner benefits

Advertising agencies felt that new business, client retention, recruitment of Black PDIs, economies of scale, increased value of shares and staff expertise, were all additional benefits that were received from BEE partners. All have already been alluded to in prior text. Refer to Categories 13, 18.5, 33.3 and 35 that provide information, which validate the abovementioned new business BEE benefits.

Category 27.3 – Black staff trust benefits

A single advertising agency felt that Black staff trusts motivated staff to put more effort into their work and/or work more accurately. They had implemented an innovative staff trust where top performing Black staff stood a chance (one in four) each year to get onto a board whereby they would receive lucrative financial rewards, as well as additional training and mentoring. This is a noteworthy finding, since there are not many ways to get people to put in greater effort and to strive for perfection without a guaranteed reward and still be satisfied with the outcome.

7.3.4 Problems of having external BEE partners

The expectation was that more advertising agencies would have problems with their BEE partners, but only a third raised concerns, several of which were not new, but a couple of inventive strategies were provided in an attempt to solve the challenges.

Category 28 – External BEE partners and Black staff shareholding problems
Problems from BEE partners included the following:
- Terminating the deal to go to larger companies (this is a costly exercise);
- Do not understand and/or alter perceptions of their role regarding operational issues;
- Seeking fast short-term rewards and adding little value;
- Inexperienced shareholders wasting time on trivial matters; and
- Displaying little understanding of the advertising industry, but demand much in spite of doing nothing for the big dividends that they received.

The BBBEE Codes of Good Practice: Phase 1 (SA. DTI, 2005b:22) took some of these problems into consideration when designing the BBBEE ownership scorecard element, but the final version has not yet been in effect for two years, so whether it will help to solve some of these problems, is yet to be seen. Some of these problems were already mentioned in Category 16.4 and were alluded to in Category 26.1 where difficulties with finding the right BEE partner was discussed, although it was implied that if an advertising agency went about it in the right way, they would reduce potential problems.

Category 29 – Endeavours to solve BEE partner problems
There are no simple solutions to these problems, but a few advertising agencies have implemented innovative strategies in an effort to overcome them. Strategies such as giving the BEE partner office space or going away with them to help understand one another, were attempted. The first strategy failed, whereas as the second strategy resulted in a positive outcome. If more companies attempted the same effort in an attempt to work out their differences with BEE partners, then there would be far fewer failed agreements.

7.3.5 Intention to increase ownership percentage by Black shareholders

The expectation was that a majority of advertising agencies would have objectives to increase Black shareholders' ownership percentage, but instead only a quarter answered positively and a noteworthy number of advertising agencies were not certain owing to various reasons. Even advertising agencies that wanted to increase Black ownership, raised potential problematic issues.

Category 30 – Reversal and reimbursement of BEE shareholding
One advertising agency surprisingly implied that they would decrease their Black shareholding in order to give it back to White managers that sacrificed it for the sake of BEE progress. This unusual phenomenon again reveals what some surrendered to in order to advance transformation.

7.3.6   Challenges of increasing ownership of Black shareholders

Category 31 – Challenges to increase Black shareholding

A primary reason for the difficulty in increasing Black shareholders' percentage was a result of international ownership constraints, which have already been fully discussed in Category 20.2 and referred to in Categories 16.5, 17.5 and 18. Other problems were alluded to when individuals needed to sacrifice a portion of their shareholding (which has financial implications) for the sake of BEE (refer to Category 30 as an example), as well as the actuality that it was difficult to give up something that one spent one's life building, especially if it has not reached its full potential. One interviewee felt that some BEE partners did not understand the full extent of what their White counterparts experienced when giving up portions of the business that they had spent decades building. This challenge was raised in Category 23 and related problems were also investigated in Category 20.2.

Category 32 – Other ways to compensate Black staff besides shareholding

Advertising agencies advocate that alternatives should be sought, besides giving away shares to Black PDIs, such as investigating mechanisms of utilising other BBBEE elements or by means of different financial reward systems to compensate people. It has become clear that Black shareholding can only be increased by a certain extent before other alternatives should be sought to advance BEE. It has become apparent that some advertising agencies are beginning to investigate these strategies and have already found a good measure of success in the form of Black staff trusts.

7.3.7   Best practice criteria when seeking BEE partners

The press, research and surveys have focussed mainly on problems that relate to BEE partners, but have offered few suggestions on what companies could do to avoid them, therefore, this section identifies and outlines best practice criteria that Cape Town advertising agencies sought when looking for BEE partners.

Category 33 – Best practice criteria when searching for BEE partners

Two clusters of dominant criteria were identified as best practice when looking for a BEE partner in order to increase Black shareholding, as well as an assortment of other factors that were provided by a third of the advertising agencies.

Category 33.1 – BEE partners are passionate, interested, understand and add value to the advertising business

A majority of advertising agencies felt that best practice criteria when seeking BEE partners were to find those that were passionate, interested, understood and could add value to the advertising agency; but most added that this type of BEE partner was difficult to find. Some of these criteria were listed as BEE partners' benefits (refer to Category 27), as well as by Fauconnier's research

into the mining industry, as criteria to evaluate BEE partners (refer to Category 26.1). These criteria are logical, yet several were listed negatively as problems of having an external BEE partner. This correctly indicates that advertising agencies were previously not as rigorous in evaluating potential partners as they are presently.

Category 33.2 – BEE partners work or assist in the advertising agency

Half of the advertising agencies concur that best practice criteria for seeking a BEE partner are to find those that are able to work with them in running the business. This was identified as a benefit of having BEE partners in Category 27 and as problems in Category 28, if they did not want to or were not able to (most likely as a result of numerous other investments and commitments in other companies).

Category 33.3 – Other criteria that a BEE partner should exhibit

Advertising agencies believed that increasing Black ownership was a long-term strategy and aspects of the deal should be carefully scrutinised so that all parties were content with parameters and potential benefits that were derived from the BEE agreement. This makes logical business sense, although, as mentioned in Category 28, sometimes BEE partners suddenly decide to change their role without warning. Others felt that BEE partners should bring in new business (refer to Categories 13, 18.5 and 27.2 for more discussion), but it was significant that one advertising agency disagreed with this opinion (refer to Category 35) and explicitly stated that this should not be a reason for acquiring a BEE partner.

Category 34 – Utilise staff to increase Black ownership instead of BEE partners

Some advertising agencies confirmed that Black staff trusts were more effective than BEE partners and since staff tended to be more motivated to work harder if they owned a piece of the advertising agency. This benefit of utilising a Black staff trust was also identified in Category 27.3 and would go a long way to avoid the problems of BEE partners, which were identified in Category 28.

Category 35 – Criteria to avoid when searching for a BEE partner

Some advertising agencies felt that it was easier to discuss what they were "not" looking for in BEE partners. They consequently emphasised that investors did not make good BEE partners, which insinuated that this was window dressing. The sentiment was that BEE partners should work within the business as mentioned in Category 33.2. One advertising agency condemned the practice of winning new business accounts merely because of who the BEE partner was (refer to Categories 13, 18.5 and 27.2 for more deliberation), whereas others advocated that this should be a criterion (refer to Category 33.3) and deliberately found BEE partners with great influence. There is no straightforward answer to this debate and it depends on individuals to draw their own conclusions. It is refreshing to note that half of the advertising agencies had set stringent criteria, as opposed to what happened in the past when silent BEE partners were found simply to increase Black ownership or to receive a quick monetary injection and who played no role in the business.

7.4   BBBEE Employment Equity (EE)

A range of EE aspects were investigated in terms of EE plans, Black representation, measures to increase Black PDIs, Black staff problems (in terms of recruitment and retention, as well as possible solutions) and the duration to train new Black staff which are discussed in conjunction with the most recent BEE literature, as well as research and studies on this BBBEE element. Some advertising agencies have made encouraging progress in terms of the DTI's scorecard, EE plans and/or MAC Transformation Charter targets, whereas others are still struggling to increase Black PDI numbers. There is a significant amount of congruence with the overall transformation and BEE topic, which are suitably cross-referenced to ensure synergy in terms of the discussion of results between these sections. Refer to Figure 7.3 for an overview of the BBBEE employment equity progress categories. The diagram summarises and highlights the factors (revealed by this study) that support, promote, contradict, hinder and are a consequence of BBBEE employment equity progress in the Cape Peninsula advertising industry.

7.4.1   Frequency of up-to-date EE plans

Category 36 – Incidence of up-to-date EE plans
The anticipated response was that advertising agencies would have all submitted a plan within the last three years, but only half of the advertising agencies alleged that they had done this. Others were either not certain or believed that they had an internal plan or had an out-of date plan or stated that they did not have a plan. It was apparent that there was a great deal of uncertainty surrounding prevalence of EE plans and this indecision was completely justified; this is expanded upon in Category 38.

Category 37 – Advertising agency submissions according to the EE registries 2005 – 2007
Two advertising agencies had submitted EE plans in 2005, five in 2006 and four in 2007. The EE registry and the EE plans, which were ordered from DoL, revealed that three advertising agencies (all independently owned) never submitted an EE plan (they were supposed to submit a plan every second year, according to their current staff numbers) and three had not submitted for the past two to three years (these should have been submitted each year). Five of the advertising agencies are required to submit again in 2008, but were up-to-date in terms of their last EE plan (the 2008 EE registry will only be available in 2009 to verify their submissions) and the remaining one had submitted in 2008 (this was the only advertising agency that provided an up-to-date copy of their EE plan for this BEE study). It was significant, that like the BBBEE scorecards, some advertising agencies were submitting as a national advertising agency group, whereas others only for the individual branch. Again there appears to be no clear legislation as to which is correct. This is also a noteworthy finding, since it has implications as to whether some advertising agencies are required to submit an EE plan each year or every second year, depending on whether they are classified as a large or small employee.
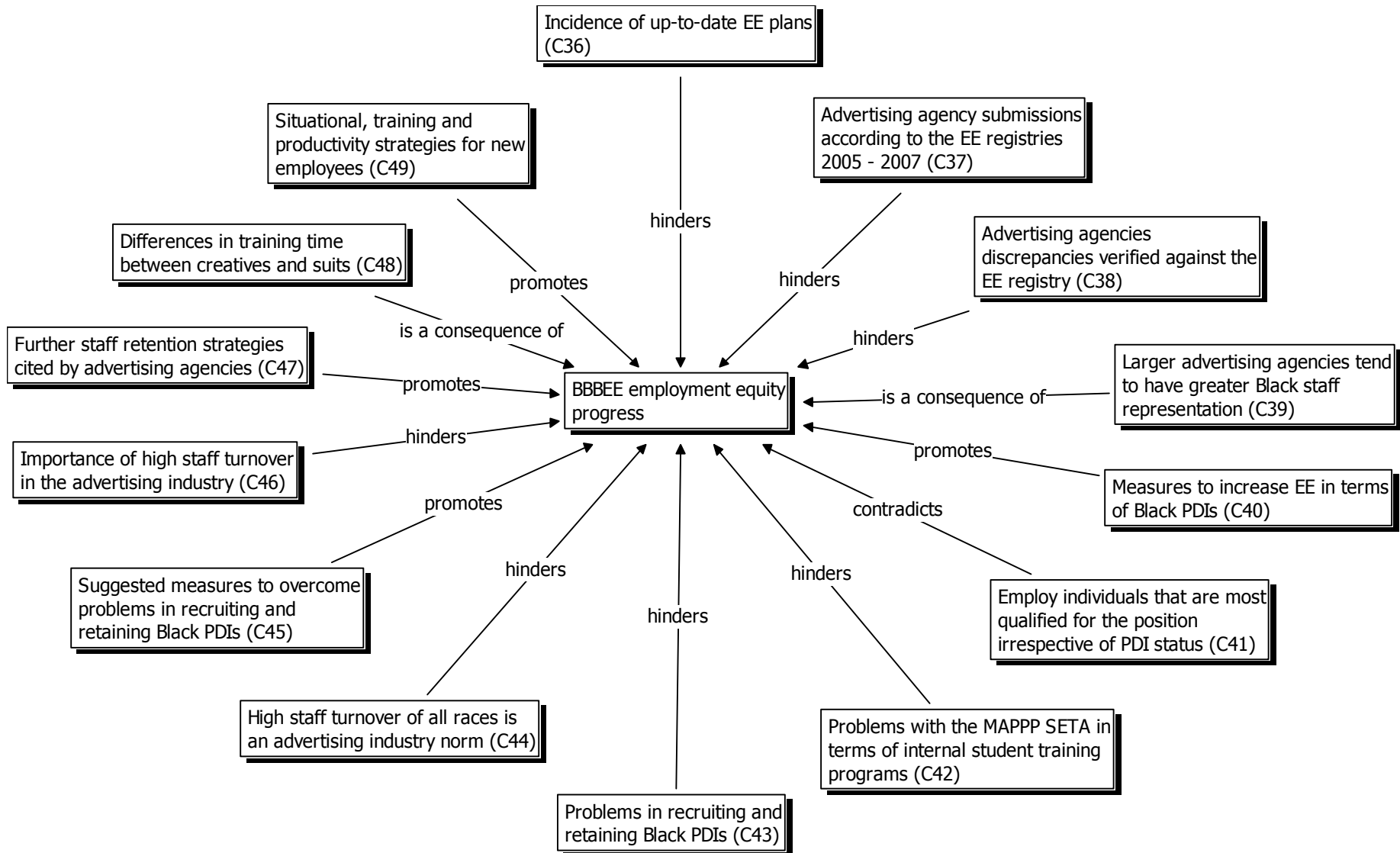
Incidence of up-to-date EE plans (C36)

Situational, training and productivity strategies for new employees (C49)

Advertising agency submissions according to the EE registries 2005 - 2007 (C37)

Differences in training time between creatives and suits (C48)

Advertising agencies discrepancies verified against the EE registry (C38)

Further staff retention strategies cited by advertising agencies (C47)

Larger advertising agencies tend to have greater Black staff representation (C39)

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Measures to increase EE in terms of Black PDIs (C40)

Importance of high staff turnover in the advertising industry (C46)

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Employ individuals that are most qualified for the position irrespective of PDI status (C41)

Suggested measures to overcome problems in recruiting and retaining Black PDIs (C45)

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High staff turnover of all races is an advertising industry norm (C44)

Problems with the MAPPP SETA in terms of internal student training programs (C42)

Problems in recruiting and retaining Black PDIs (C43)

Figure 7.3: Overview of BBBEE employment equity progress categories

Category 38 – Advertising agencies discrepancies verified against the EE registry

As mentioned in prior text, the twelve advertising agencies, which were included in this BEE study, are all required to have an employment plan, since they either employ 50 or more employees or have a total annual turnover of over R10 million for the TSC sector. The interviewees' responses were verified against the EE registry, which revealed several discrepancies. The confusion of a majority of the interviewees about whether they had a recent EE plan could be attributed to the fact that this task is a responsibility of the HR department (incidentally only one HR employee was interviewed). It is noteworthy that several of the independently owned advertising agencies did not have a single HR person in their employ or had only recently employed one. The HR responsibilities were largely delegated to the financial department; consequently, there was some ignorance or neglect on their part in terms of the submission of employment plans, especially since three independently owned advertising agencies had never submitted an EE plan. The low incidence of HR employees in advertising agencies is only one contributing factor to a national problem that is inherent to all industries in SA.

The EE registry numbers have shown a steady decline over the past couple of reporting periods for large employers (small employers should report every second year), since when compared to 2003 (which is used as the base year and, therefore, reflected as 100%), 64% reported in 2005 and 31% in 2007. However, the 2007 report revealed that healthy progress had been made in terms of some of the EE managerial targets, as set out in the BBBEE scorecard. Based on how the interviewees responded to this question, it was perceived that a significant portion of them believed or were genuinely confused whether or not the BBBEE scorecard replaced the EE plan. The number of EE plans will continue to decrease, unless the DoL clearly communicates that this is incorrect. It is especially important to clear this fallacy, since the BBBEE scorecard only focuses on managerial levels, whereas the EE plans focus on all employment levels.

Dealings with the DoL from this BEE study have led to the conclusion that the DoL is an extremely inefficient government department. Their website appears well organised on the surface, but it is not regularly updated, which means that government should be physically contacted in an attempt to obtain relevant information. A noteworthy percentage of key documents such as the EE registries and the CEE annual reports, could not be opened once downloaded, since the files were corrupt. In an attempt to secure the latest EE registry (2007) the DoL was phoned and/or e-mailed about ten times, redirected from person to person, from the Cape Town to Pretoria office, to the Government Printers in Cape Town and Pretoria and, finally, back to the Pretoria head office to complete a cycle until someone was able and willing to assist. A similar process was repeated for some of the other documents that were either not located on the DoL website or that were corrupted, in other words, the EE registry 2006 and CEE annual reports (2006/2007 and 2007/2008). The EE plans that were ordered took over six months to arrive and all of them were at least 3 years old (some of them were five years old). This was verified by the EE registries that revealed more recent EE plans had been submitted.

Therefore, companies are confidently able to shirk their responsibilities in terms of submitting EE plans in full knowledge that no punitive measures action will be taken against them for not abiding with the prescribed legislation. Since the DoL struggles to perform even the most simple mandatory tasks, let alone communicate basic information to companies, other than getting it right to announce due dates for submission of the EE plans this year (a of couple of terse television advertisements were aired in September 2008 stating that EE plans were due on 1 October 2008). Mass media, such as television, is certainly not the most effective way to communicate to an audience, which comprises ten thousand companies. A direct marketing campaign that individually targeted each company would be lead to a considerably higher response rate.

7.4.2   Black staff representation of Cape Town advertising agencies

Half of the advertising agencies in Cape Town had Black staff representation of greater than 40% and the rest between 34 - 39%, with a mean average of Black representation of 39%. It is disappointing to note that only half of the Cape Town advertising agencies have been able to attain a Black staff complement of 40% or greater, since this target was already set eight years before by the initial ACA Transformation Charter in 2000. Although Black representation (in terms of a lack of skilled PDIs), has been a problem in a number of research studies (ranging from national BEE surveys across all industries to regional industry specific theses) conducted on BEE in SA, the findings of this BEE study were no different. This average percentage of Black representation of 39% is marginally less than the national average percentage of 40.2%, which was reported by the ACA's EE Survey in 2006 (Da Silva, 2006). This would most likely have continued to climb over the last year and a half based on the steady growth rate of 3% per annum over the past decade.

One would have expected Cape Town's average Black representation to have progressed since 2006, but this can be justified to a certain degree by problems that were raised in Categories 16.7 and 43. The main problems disclosed include a shortage of Black talent in Cape Town and the fact that they are difficult to recruit and retain. However, Cape Town advertising agencies' average Black representation of 39% has improved by 6% since the beginning of 2006, when the average Black representation for the same Cape Town advertising agencies was 33% (Koenderman, 2006b:52-53), which is in line with the national growth rate (but a couple of years behind in terms of the overall figure). Based on the upward trend, they should have surpassed the elusive 40% of Black representation barrier by the end of 2008.

It should be noted that the Black representation percentage could not be compared directly against the EE targets set in the MAC Transformation Charter or BBBEE scorecards as it specifically refers to management levels only), whereas the Black representation was calculated for the total number of employees, based on information that the Cape Town advertising agencies supplied together with EE plans. This was further compounded by the low incidence of EE plans that were submitted to the DoL, some of which were based on the advertising agencies' national employment

figures; as well as the fact that the DoL sent plans that were at least three years old. However, a majority of the Black representation percentages were correct when verified against the latest data listed in the most recent advertising annuals, namely AdReview 2008 and AdFocus 2008, although there were two advertising agencies figures that differed significantly. Possible explanations for these variances between the sources of data are that percentages can change in a short time period in the ever dynamic advertising industry environment (the most likely cause); it was inaccurately cited by the secondary data source (for example by confusing PDIs that include White women with Black representation percentages); and/or incorrectly supplied to the researcher (although half of the advertising agencies provided a complete breakdown of their staff in terms of gender and race, hence the information was accurate since the researcher did the calculations). Half the advertising agencies supplied their Black representation percentages in later correspondence (via e-mail), as the interviewee did not know the percentage off-hand (especially since it could literally change on a daily basis) or they could only recall the percentage for the national advertising agency.

Category 39 – Larger advertising agencies tend to have greater Black staff representation

The biggest advertising agencies in Cape Town (in terms of staff numbers), also reflected the highest Black representation figures. The fact that larger advertising agencies have better Black representation figures when compared to the smaller advertising agencies, makes logical sense, since some of the smaller advertising agencies reported problems of attracting or retaining Black staff in Category 43.1 (although this notion was disputed in Category 43.7 by an individual advertising agency) and staff being actively head-hunted (refer to Category 43.3) by larger advertising agencies who also have greater resources.

7.4.3   Steps advertising agencies have taken to increase EE (Black PDIs)

Category 40 – Measures to increase EE in terms of Black PDIs

A range of measures were implemented and/or promoted as means to increase the number of Black staff and were in congruence with information cited in the EE plans.

Category 40.1 – Internal student training programs

On-the-job training is a practical way to increase the number of Black PDIs, who at the same time receive work experience in the advertising agency environment. There is an abundance of students available, since co-operative training is utilised by several tertiary educational institutions in order to provide their students with valuable work experience. This is a win-win situation, since this is one of the primary means that advertising agencies utilise to increase Black PDI representation. Findings of both manufacturing and engineering and tourism industry theses also suggested that internal training programs (in the form of learnerships, apprenticeships and mentors) were an effective way to increase the shortage of skilled Black people across industries in SA.

Category 40.2 – Recruitment policies (AA)

The fact that the advertising agencies have employed AA strategies to increase the number of Black staff comes as no surprise, since it is the most simplistic and cost effective manner if implemented in the correct way (in other words, to recruit the most qualified person for the job regardless of colour, but employ the PDI when there are more than one with similar credentials – refer to Category 41 for more discussion). However, the main problem with this strategy is a major shortage of suitably qualified Black talent in Cape Town, which was first highlighted in Category 16.7.

Category 40.3 – Train and promote Black PDIs

The strategy of promoting Black individuals within the advertising agency helps to increase Black PDIs at management levels in order to achieve the EE targets in the MAC Transformation Charter or BBBEE scorecard. It is important to note that one advertising agency stated that they would not promote Black PDIs merely for the sake of achieving the BEE target, but that they needed to have acquired all necessary skills for the position.

Category 40.4 – Employ an HR person

As discussed in prior text, it is interesting that some advertising agencies have never had an HR department or person. A motivating factor for employing HR personnel was to drive measures, which would increase EE. This recommendation was made in Categories 11 and 38 to alleviate the burden of BBBEE and EE administrative processes.

Category 40.5 – Creativity attracts Black PDIs

It is no surprise that Black PDIs want to work for advertising agencies that have creative gurus or legends in their employ or lead creative tables and win advertising awards on local and international levels. It is a huge advantage in terms of their skills developmental process to learn from the best that the advertising industry has to offer.

Category 40.6 – Measures to increase Black PDIs according to EE plans

It is interesting that some advertising agencies have not altered their strategies to increase Black PDIs over the past five years, but it is reasonable to assume that the two most prevalent strategies that were given, were staff training and employment (AA) policies, which are both effective measures to accomplish this objective.

Category 41 – Employ individuals that are most qualified for the position irrespective of PDI status

A third of the advertising agencies emphasised that it was imperative to employ someone who is the most proficient to do the job and that they should not necessarily have to be Black. It makes reasonable business sense that advertising agencies are not willing to simply employ Black PDIs for the sake of EE, but strive to place the needs of the business first. One advertising agency revealed how one of their clients blamed a poor quality report on the fact that they had employed a Black PDI to advance BEE; this is definitely not the desired outcome of AA.

Category 42 – Problems with the MAPPP SETA in terms of internal student training programs

It is problematic if advertising agencies are attempting to train Black PDIs, while the relevant SETA is not willing or is unable to assist financially with this important developmental process. Upon further investigation, a statement released by the MAPPP-SETA announced that they had been placed under administration and have restructured the organisation in order to stabilise it financially once again, but that they were never bankrupt (MAPPP-SETA, 2008). This finding does not bode well for skills development in the advertising and related industries in the near future and is another example of government-affiliated organisations' incompetence and mismanagement of funds.

7.4.4   Problems in recruiting and retaining Black PDIs

Category 43 – Problems in recruiting and retaining Black PDIs

A diverse variety of problems were encountered in recruitment and retention of Black PDIs, some of which were verified in the EE plans.

Category 43.1 – Black PDIs staff recruitment and retention problems in Cape Town

It is noteworthy that half of the Cape Town advertising agencies struggled to retain and recruit Black PDIs, but it was even more noteworthy that the main reason was because of the cosmopolitan social structure in Cape Town. Black PDIs, especially from other parts of the country, apparently find it difficult to socialise and establish an equitable standard of living (outside of work) in Cape Town. Perhaps it has something to do with the political structure in the Western Cape, as well as the reality that people are more traditional compared to progressive Black persons who reside in Johannesburg. It was not a surprise that Cape Town struggles to retain Black PDIs simply owing to the fact that people earn more in Johannesburg. People will always strive to earn more regardless of their colour, even if it means living in a different part of the country or the world for that matter and this may also have contributed to the fact that there is not a huge number of skilled Black PDIs in Cape Town. Naturally, a lack of skills is not a Cape Town or industry specific phenomenon, since the most recent BEE literature, surveys and theses all highlighted this problem, as did Categories 16.2 and 16.5.

Category 43.2 – Black staff at management level are difficult to recruit

A shortage of suitably qualified Black PDIs at management level may be correlated to the fact that only Black staff at this level count towards the EE element of the BBBEE scorecard and, therefore, these Black individuals who have scarce skills, are in high demand. Refer to Category 43.3 for more elaboration.

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Category 43.3 – Head-hunting Black PDIs

It is a foreseeable problem that Black PDIs, especially at more senior levels (probably owing to the reason disclosed above), are being actively recruited and offered extremely lucrative deals in order to entice them to other advertising agencies and industries. However, Category 44 argues that this is not an advertising industry-specific problem and has also been raised in several other BEE studies.

Category 43.4 – Persons who have disabilities are difficult to employ in the advertising environment

The fact that advertising agencies have an insignificant number of persons who have disabilities in their employ is not surprising owing to the extreme sensory nature of the work. However, possibilities for employing people who have various disabilities, are raised in Category 45.4 and should be pursued. The low employment of persons who have disabilities appears to be the norm across industries and the CEE annual report (SA. DoL, 2007c) revealed that people who have disabilities in the SA workforce, had decreased to less than one percent over the past eight years. Something should be done to break this cycle besides simply raising awareness of the existence of such people by events such as the Paralympic Games.

Category 43.5 – Advertising schools are not representative

The problem of too few Black PDIs embarking on a career in advertising still appears to be a problem, even though it was raised on several occasions in both of the parliamentary hearings and was one of the primary focus areas of the MAPPP-SETA advertising skills needs analysis survey. Some advertising agencies (refer to Category 40.1) disclosed that they offered bursaries to Black PDIs to study at advertising schools. However, more should be done to increase the number of Black PDIs that enrol at these schools, other than a few token bursaries; therefore, it is imperative that the MAPPP-SETA regains its financial stability in the near future.

Category 43.6 – Advertising industry does not pay well

In the past, the advertising industry was considered to be a well paying one, but owing to the extremely competitive environment for business (especially since the Cape Town market is much smaller than Johannesburg), greater accountability of advertising spend is required by clients. Hence there are tighter profit margins and so advertising agencies' salaries have not been able to keep pace compared to other larger and more lucrative industries.

Category 43.7 – Other problems in recruiting and retaining Black PDIs

A majority of the other problems in recruiting and retaining Black PDIs are also inherent to other non-PDI staff such as staff leaving to form their own advertising agencies; bigger advertising agencies are the training grounds and stepping stones for junior staff; and senior employees are attracted to advertising agencies that provide greater job security (by having big long-term clients).

However, there are two problems that warrant further discussion, firstly, a lack of Black PDIs in creative departments, which was raised in prior text and in the findings of the MAPPP-SETA advertising skills needs analysis survey. This MAPPP-SETA survey made recommendations that career guidance at schools and careful selection processes would solve the problem (Kelello Consulting, 2005). Career guidance is no longer offered in most public schools and selecting suitable Black PDIs would not be a difficult task if an abundance of suitable candidates could be found, however, the converse is true. Therefore, there are no simple solutions to this problem, but one advertising agency (TDJR) has come up with an innovative initiative with the "Vega The Brand Communications School" and CAFé. As mentioned in prior text, these are creative centres that train Black creative talent by providing a solid education and relevant skills for a career in the advertising industry. There are currently five Imagination Labs and the goal is to open a minimum of one in each province (Vega The Brand Communications School, 2008). This is an excellent example of a practical and innovative initiative that is desperately needed, instead of the impractical bravado, which is offered by ineffective government-affiliated organisations.

The second problem is that the demand for Black PDIs is greater than the supply at this present moment. This is no surprise in view of the fact that the advertising industry (in terms of advertising spend by medium) has more than doubled in only four years. Category 40 comprehensively discusses measures that advertising agencies have implemented in an attempt to increase the number of Black PDIs, but it will take some time before senior (advertising agency employees are considered to senior after a minimum of 5 years experience) Black PDIs will come through the ranks.

Category 43.8 – Problems in recruiting and retaining Black PDIs according to EE plans
It is interesting that some advertising agencies still experience the same problems in recruiting and retaining Black PDIs after five years have transpired. The perception that Black people needed to work harder in order to be acknowledged, appears to have been solved. In fact, based on the strategies and policies directed to retain them (refer to Category 40), it may be audacious to say that the converse is now true.

Category 44 – High staff turnover of all races is the advertising industry norm
Advertising agencies noted that the advertising industry has a higher than normal staff turnover, which can be problematic since it costs them money owing to high recruitment and training costs to replace lost staff. In some instances, it made employees that job-hop less attractive to employ owing to their poor track record of moving job frequently. Reasons such as head-hunting, money and large advertising agencies being the industry nursery, were offered for occurrence of this phenomenon – all of which have already been discussed in Category 43. Generally, most advertising agencies did not necessarily view the high turnover as a problem, but some viewed it as "healthy churn" that is elaborated on in Category 46.

7.4.5 Measures to overcome problems in recruiting and retaining Black PDIs

Category 45 – Suggested measures to overcome problems in recruiting and retaining Black PDIs
BEE literature, surveys and research studies have principally focussed on problems and have mostly ignored possible measures to address them. A variety of innovative and rational endeavours that have been implemented or promoted as means to overcome problems in the Cape Town advertising industry, are unique. These should, therefore, serve as recommendations to address issues in recruiting and retaining Black PDIs.

Category 45.1 – Endeavours to solve Cape Town's Black PDI retention problem
The unique internal staff program (that formed an intricate part of a Black staff trust) that provided various benefits such as Goodfellow membership, toasted sandwiches, life skills courses, massage rooms, Christmas parties and others, have helped to cultivate unity and improved staff retention. This is certainly innovative in trying to provide most people with the reassurance and support that they need to work in this demanding environment. Other advertising agencies could learn from this strategy to increase their retention rate of Black PDIs in Cape Town.

Category 45.2 – Senior Black staff recruiting and retention strategies
It is logical to train and develop junior staff, especially those that have potential, so that they will be ready for management levels at an opportune time. This was also a measure that was advocated to increase Black PDIs in Category 40.3 and in several of the other BEE studies.

Category 45.3 – Implement a reward structure to curtail head-hunting
It makes sense for Black staff members that perform well to be acknowledged for their hard work and suitable incentive schemes should be initiated and announced in order to keep Black PDIs content and retain them in the long run.

Category 45.4 – Opportunities for persons who have disabilities in the advertising agency
Advertising agencies can accommodate persons who have disabilities in certain positions, but it may take some time and money to create an obligatory work environment. However, even if only a few advertising agencies are willing make a commitment; it will allow more persons who have certain challenges to enter the dynamic and exciting world of advertising.

Category 45.5 – Intern development programs for Black PDIs
Although the offering of internships to Black PDI students will not directly solve the lack of Black students at advertising schools, indirectly, it may serve as a dangling carrot for Black advertising aspirants that there are opportunities at advertising agencies and hence encourage them to pursue a career in the advertising industry. This strategy was also discussed in Category 40.1 as a means to increase Black PDIs.

Category 45.6 – Advertising agencies should consider cost versus scarce skills

The high cost of attracting a good calibre of Black PDI should be carefully considered against the expertise that they bring to an advertising agency, hence advertising agencies may need to pay higher than normal salaries to obtain a scarce skill that they lack.

Category 45.7 – Possible solutions to other problems in recruiting and retaining Black PDIs

The drive for successful mentorship programs will help to retain Black PDIs in advertising agencies and thereby help with the lack of skilled Black staff in this rapidly growing industry (refer to Category 17.8 where a recommendation of employing this strategy was made to solve the "White Black" transformation problem).

Category 46 – Importance of high staff turnover in the advertising industry

One rationale that has been offered as to why a number of advertising agencies consider it to be acceptable (and even a necessity) for staff to switch advertising agencies periodically, is because of the fact that they become stale working in the same environment with the same clients and need the change to inspire themselves again. In this way, clients' needs are also more adequately met, since these people are employed for their special skills in order to bring a fresh approach, which results in superior work for longstanding and lucrative clients.

Category 47 – Further staff retention strategies cited by advertising agencies

It is evident that most companies who were able to provide a family-orientated environment that allowed staff (not specifically Black) to learn, progress and be respected, would result in higher retention rates. This certainly is a unique strategy that took several years to develop and implement, but from which much can be learned (refer to Categories 25 and 27.3 to view the configuration and other benefits of the unique Black staff trust and another innovative Black staff trust, which was also described in Category 45.1).

7.4.6 Training duration of new employees (Black PDIs)

A majority of advertising agencies felt that it took between 3 - 6 months to train individuals in both the creative and accounts departments, whereas a minority believed that it took in excess of 18 months before new employees became fully productive. It is important to note that no differences were revealed in terms of the duration that it took Black or White staff to become proficient, but this section serves to reveal that length of time that it took (and associated costs of training and low productivity) advertising agencies each time a Black staff member was poached or job-hopped.

Category 48 – Differences in training time between creatives and suits

Advertising agencies were divided as to whether the creative or client side took longer to train and others felt that it made no difference. Factors are discussed in Category 49, while the fact that each advertising agency has their own distinctive culture and working environment, appeared to determine whether it took creatives or suits longer to train. One advertising agency was of the

opinion that it could take 15 years for a creative to be able to produce great advertisements and hence it was imperative to have strategies in place (outlined in Categories 45 and 47) to retain such staff in an attempt to minimise high staff turnover, as discussed in Categories 44 and 46.

Category 49 – Situational, training and productivity strategies for new employees
It was evident that the situation, as well as the type of training strategy and/or approach that was utilised, all played a role in the length of time that it took to train and get new employees productive.

Category 49.1 – Situation determines how long it takes to train new employees
A number of factors determine the length of time that it takes to train new employees and prevailing views (as mentioned in Category 48) are that it depends on the position (creative versus suit); the individual's ability (aptitude and personality); nature of the environment (supportive versus independent); and complexity of clients (boring and routine versus novel and complex).

Category 49.2 – Training strategies for new employees
The most widely advocated strategy to train junior employees is via mentorship programs, whereby they could continually obtain on-the-job advice and direction. This is the most practical and logical strategy and is used to retain staff, as discussed in Category 45.7.

Category 49.3 – Approaches to get new employees to be productive
The most popular approach to get new employees productive in a job is to literally throw them into the deep end, but with the necessary support so that they can learn as they progress. As alluded to in Category 49.1, some would flourish in a more nurturing type of environment and, therefore, may not cope with this independence, whereas others would rise to the challenge.

7.5   Conclusion

Governing advertising organisations, advertising agencies and numerous other affiliated bodies in the industry have strived to transform the advertising industry. The BBBEE Codes of Good Practice are not yet two years old and the gazetted MAC Transformation Charter is only a couple of months old. However, a bulk of the Cape Town advertising industry has already initiated a number of BEE strategies and objectives that have achieved a moderate degree of success in a relatively short space of time. The advertising industry should be given until 2014 before being judged on how much progress has been made. BEE is working, perhaps not at a pace that the government desires, but government itself appears to be the biggest obstacle in the transformation process. It has taken the government several years to establish and implement BEE legislation, but it should first examine its own efficiency before levelling further criticism. The advertising industry will continue to make a difference in peoples' lives as it proceeds with its journey to transform itself.

CHAPTER EIGHT
CONCLUSIONS AND RECOMMENDATIONS

8.1   Introduction

The Cape Town advertising industry has implemented BEE strategies and has made steady progress to comply with quantitative targets that have been promulgated by the BBBEE Codes of Good Practice and MAC Transformation Charter. A number of benefits were received and problems encountered in embarking on the transformation journey, but the Cape Town advertising industry has made progress and has implemented a host of unique transformation (specifically in terms of BBBEE ownership and EE) strategies that have resulted in several success stories (although there will always be a couple that resist change and oppose real transformation). The recommendations serve as a guide to the rest of the advertising industry, other sectors and particularly the government, to make the transformation process more efficient. Refer to Figures 8.1 and 8.2 for factors that promote and hinder transformation progress in the Cape Peninsula advertising industry.

8.2   Culmination of transformation and BEE

This section provides significant discussion on conclusions that were drawn from particular transformation and BEE issues that advertising agencies endured by endeavouring to meet the BBBEE Codes of Good Practice scorecard and/or MAC Transformation Charter targets, as well as other problems and benefits. Several Cape Town advertising agencies implemented inventive BEE schemes as means to make progress and overcome inherent problems that are associated with transformation.

8.2.1   First thoughts on transformation and BEE

A majority of Cape Town advertising agencies are positive about BEE measures that they have implemented and several were in the middle of the BEE verification process at the time of the interviews. There is still some sensitivity regarding transformation and BEE, but at least the advertising agencies have been striving to comply with the mandatory quantitative targets, which have been legislated. The one question that remains: is real transformation taking place in advertising agencies or are quantitative BEE targets simply being attained?

Recommendations
Black PDIs' (employed in Cape Town advertising agencies) perceptions, attitudes and experiences of transformation and BEE should be explored via additional research in order to establish whether they differ or are in agreement with management's views. This will reveal the degree of real transformation that has transpired in the Cape Town advertising industry. However, it should be noted that this will be an extremely onerous task, since, as mentioned in prior text, it took over two months to secure appointments and to interview twelve individuals, let alone the four hundred Black PDIs who are employed in the Cape Town advertising industry.
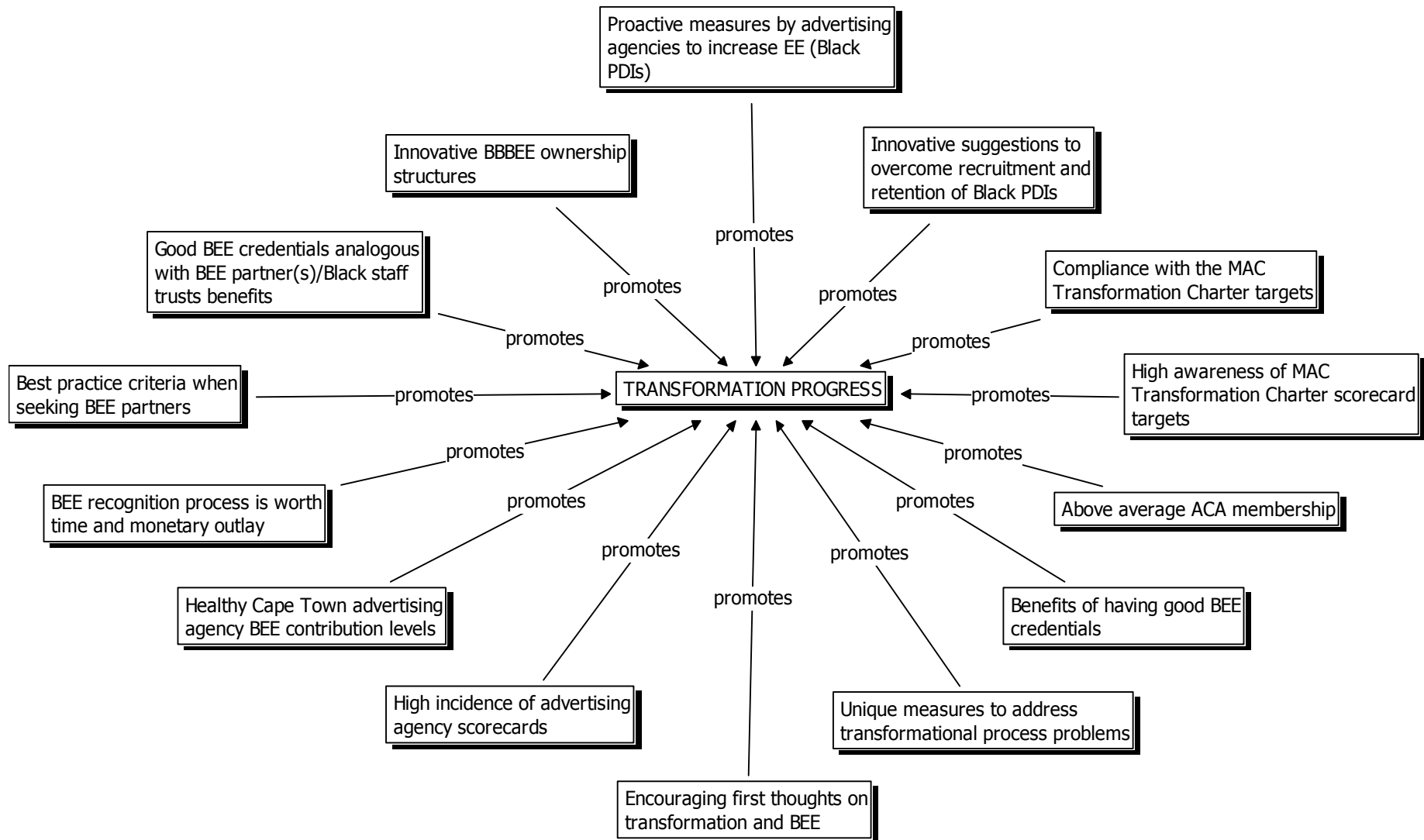
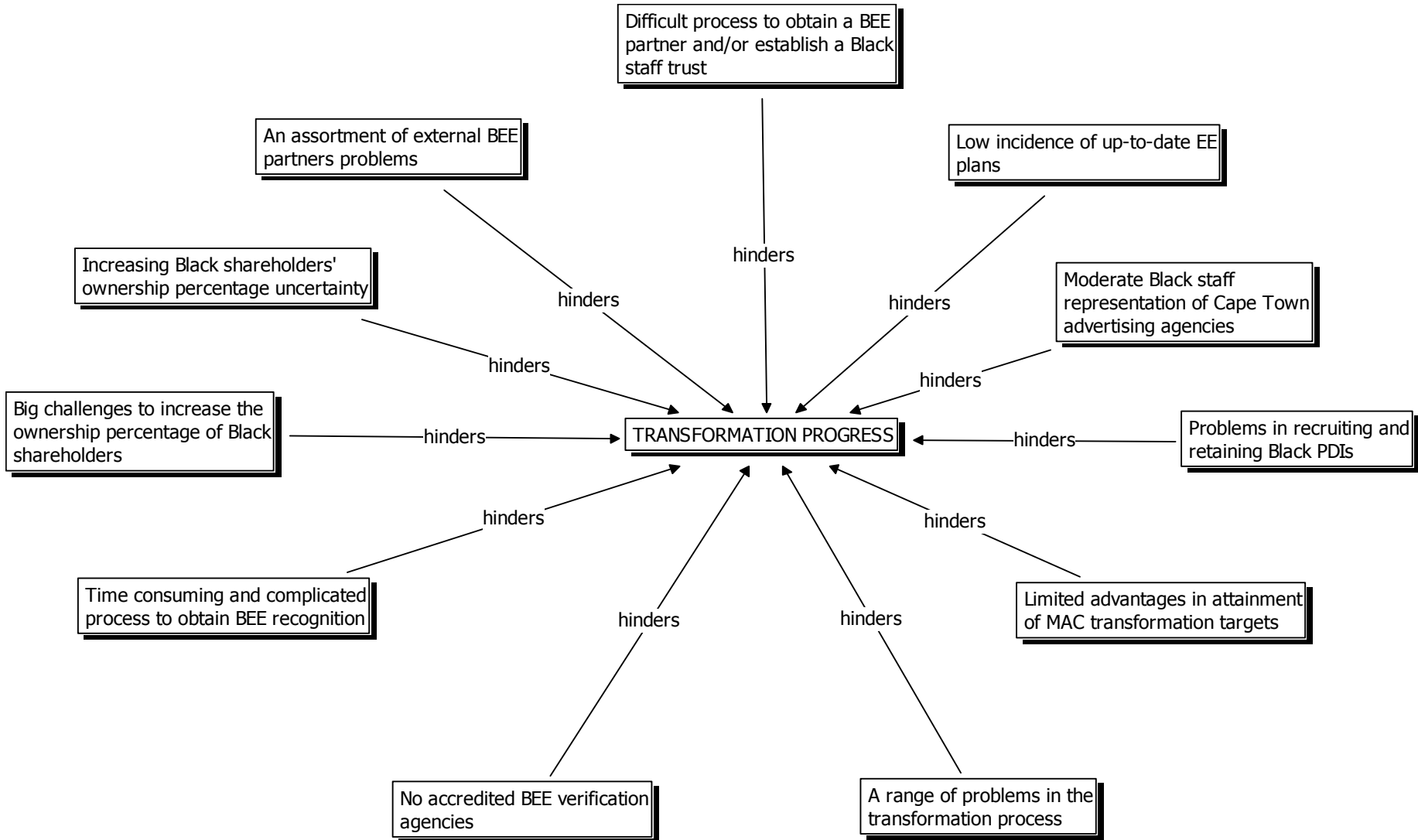**Figure 8.1: Overview of factors that promote transformation progress**

Difficult process to obtain a BEE partner and/or establish a Black staff trust

An assortment of external BEE partners problems

Low incidence of up-to-date EE plans

Increasing Black shareholders' ownership percentage uncertainty

Moderate Black staff representation of Cape Town advertising agencies

Big challenges to increase the ownership percentage of Black shareholders

TRANSFORMATION PROGRESS

Problems in recruiting and retaining Black PDIs

hinders

Time consuming and complicated process to obtain BEE recognition

Limited advantages in attainment of MAC transformation targets

No accredited BEE verification agencies

A range of problems in the transformation process

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Figure 8.2: Overview of factors that hinder transformation progress

8.2.2 High incidence of advertising agency scorecards

A majority of advertising agencies have scorecards, with two whose BEE contribution certificates have expired or were in the verification process to attain their first one. The DTI's weak response has major implications pertaining to BEE in SA, not only for advertising agencies, but for all companies across industries and for all BEE verification agencies. Until a consensus is reached on interpretation of the "Guidelines on complex structures & transactions, and fronting document," advertising agencies can elect to comply with either national or individual advertising agency scorecards.

Recommendations

The BEE verification process is quite lengthy, time-consuming and costly, especially for small advertising agencies, yet the BEE contribution certificates are only valid for one year. It is proposed that QSEs' BEE contribution certificates should be valid for two years in the same way that small employers are only required to submit EE plans to DoL every two years. The DTI should provide an interpretation of the "Guidelines on complex structures & transactions, and fronting document" without delay, publicise the content of obscure BEE documents and adequately train their staff to deal with complicated questions, so that both advertising and BEE verification agencies have clear direction in terms of the implementation of BEE legislation.

8.2.3 No accredited BEE verification agencies

Over 80% of advertising agencies have utilised services of BEE verification agencies to confirm their BEE credentials, while a couple used BEE consultancies to establish administrative structure and to ensure that all BBBEE elements were in place. The fact that BEE verification agencies have not yet been accredited, is puzzling and shows that the SA government have gone about this BEE process reactively. It would be logical to first establish BEE measurement instruments and independent verification agents, as opposed to compelling organisations to comply with BBBEE legislation that has not yet been finalised in order to effectively support and guide organisations through the process in a uniform manner. These delays emphasise a fair degree of incompetence on the part of specific government departments and the negative impact that this has on the transformation process. The consequence has been that several companies have self-assessed their BEE credentials, which will never be as objective as an independent verification agency.

Recommendations

The SA government has released manuals, policies and new pieces of legislation at slow pace, which should be speeded up significantly. That is if it truly wants to succeed in bringing about real transformation without providing organisations with BEE loopholes. It seems odd that a BEE

verification agency such as Empowerdex, who was consulted by government to assist with establishment of BEE legislation, has not yet been accredited. This should most certainly happen soon.

8.2.4 Cape Town advertising agency BEE contribution levels

Cape Town advertising agencies are two years ahead of national BEE contribution level targets, which is one level higher than the current the TSC sector and two levels above the present national average contribution levels, therefore it is apparent that BEE is working in the Cape Peninsula advertising industry. However, there is room for deceit in the BEE recognition, since BEE certificates have not yet been standardised; this makes it easier for advertising agencies to fiddle the figures and makes it nearly impossible to do side-by-side comparisons of advertising agencies in terms of individual BBBEE elements.

Recommendation

A standardised format should be developed for BEE contribution certificates and scorecards. This should be accomplished when the first BEE verification agencies are eventually accredited.

8.2.5 Time and complexity of BEE recognition process

The BEE recognition process does have relatively large cost implications, but these were not considered as a major problem in obtaining BEE recognition. However, the process was viewed as protracted, especially in terms of onerous administrative components, tying up senior staff's valuable time and gathering evidence (such as obtaining BEE contribution certificates from numerous suppliers). There is a universal problem regarding the complexity of one or more aspects of BEE, especially in terms of interpretations and understanding of the legislation, as well as a lack of uniformity in the BEE documentation format, which creates opportunities for deceptive practices in the BEE recognition process.

Recommendations

Advertising agencies should consider employing someone to follow-up on suppliers and to do their BEE related tasks in order to comply with the preferential procurement BBBEE element. This would add to costs, but relieve key employees to focus on their duties, thereby improving productivity and so justifying the additional HR costs incurred. The DTI launched a BBBEE portal on their website, where companies can place their BEE contribution certificates for a small cost. However, these certificates are not available to the public and it is not mandatory for companies to do so. It is, therefore, suggested that the DTI implement a mechanism that is similar to the DoL's EE registry, whereby it is compulsory for companies to submit their BEE contribution certificates

to the DTI each year and that the BBBEE registry is made available to any interested party on request at a cost, thereby alleviating advertising agencies of the storage costs. This would go a long way in terms of creating awareness of BEE in the eyes of the general public and industry, therefore the DTI should also publicise the BBBEE portal, since there has been few literature that has promoted it. The BBBEE baseline 2007 survey also made the recommendation that BBBEE principles should be communicated on a far broader spectrum as means to educate companies on specific BBBEE elements (Consulta Research, 2007). The researcher is in agreement, but believes that the entire BEE recognition process should be publicised on a considerably larger scale to especially create awareness amongst SMMEs and to educate all industries in SA.

8.2.6 Worth of BEE recognition process in terms of time and monetary outlay

All the advertising agencies believe that the BEE recognition process was worth the time and monetary outlay for a range of reasons; the most significant one was that BEE recognition allowed them to pitch and obtain new business, especially big government business. Another important reason was that the advertising agencies felt that the BEE recognition process was relatively easy to maintain once it was operational, especially if monitored on a regular basis. It is true that smaller advertising agencies do not have extensive resources available for the BEE recognition process, although it should be viewed as an investment.

Recommendation

The fact that BEE recognition has potential to increase new business and is simple to maintain once the advertising agency has gone through the process, is a possible selling point that the DTI could use to promote and entice non-compliant companies to embark on the BEE recognition process.

8.2.7 Problems in the transformation process

A varied range of problems were raised pertaining to the transformation process that included the following: BEE versus real transformation problems; Black staff; client; BEE partner; international ownership; racial discrimination; Cape Town versus Johannesburg; and other transformation problems relating to cultural identity; BEE fronting; and whether to use the charter or generic scorecard. Possible solutions to some of these problems are explored in subsequent text, but whether they will be solved depend on what next steps are taken in SA's transformation process by individuals, companies and government. Answers to the abovementioned problems will ultimately be determined by whether they act in a manner that satisfies their own self-indulgence and political agendas or the spirit of real transformation and self-sacrifice, which will benefit the disadvantaged Black multitudes.

Recommendations

Government should add legislation to the existing BEE framework that recognises and rewards transformation endeavours, over and above the seven elements of BBBEE. Additional research should be conducted on specific transformation problems such as Black staff; clients; BEE partners; Cape Town's unique BEE micro-environment; and international ownership issues across all industries in SA to confirm the findings of this BEE study. The DTI should make examples of companies that were found guilty of dishonest BEE practices such as fronting by fining them heavily and extensively publicising their deceitful actions.

8.2.8 Measures to address transformational process problems

Advertising agencies have implemented or offered several innovative solutions to overcome a few of the problems encountered in the transformation process. These include creating initiatives that allow Black staff to personally feel transformation by establishing discretionary trusts; incorporating training programs; striving to attain satisfactory BEE credentials; selecting BEE partners carefully; attempting to get international companies to give up more ownership; increasing business to avoid racial problems; and employing BEE consultancies and staff to deal specifically with the BEE transformation process.

Recommendations

All the aforementioned suggestions serve as a guide to other advertising agencies and companies in other industries in terms of how they can address problems in the transformation process. Black staff trusts and training are the most rational solutions to solve Black staff transformation problems and should be considered by all companies that want to retain Black talent. The only feasible solution to overcome the "White Black" staff phenomenon is to assign young Black talent to older Black role models who can advise, guide and make them feel comfortable in their work environment and with themselves.

8.2.9 Benefits of having good BEE credentials

Authentic BEE credentials hold numerous benefits, which were fully elaborated on by a majority of the advertising agencies, although a couple of internationally owned advertising agencies felt that they did not receive any benefits as a result of their BEE credentials. The most significant benefits included a diverse range of staff that led to a better understanding of the market, as well as other staff-related benefits, gaining access to new and/or government business, client contentment owing to preferential procurement and client-based BEE training.

Recommendations

All of the abovementioned benefits and innovative BEE measures that are employed by Cape Town advertising agencies, should be disseminated to highlight the numerous and lucrative benefits of having a transformation agenda to other industries. Bigger advertising agencies and companies

should also develop programs to provide BEE training to their clients (and thereby assist the government in this area), especially since they may ultimately benefit by improving their BEE contribution levels (in terms of preferential procurement).

8.2.10 ACA membership

The Cape Town advertising industry had a higher than average ACA membership, which bodes well for BEE in this region, since the ACA has been a driving force of transformation in the advertising industry. Ultimately, it is not mandatory (although preferable) that an advertising agency holds ACA membership, as long as they promote transformation, as the only Cape Town advertising agency without ACA membership, is aptly doing.

Recommendation
All advertising agencies should become members of the ACA; in this way they will be kept up-to-date with recent legislative and transformation developments in the advertising industry.

8.2.11 Awareness of MAC Transformation Charter scorecard targets

A majority of advertising agencies were aware of the MAC Transformation Charter scorecard targets, with two unaware for justifiable reasons. One was not a member of the ACA and the other had not been working for the advertising agency for too long and had yet to familiarise himself with the industry's charter targets, although he was aware of the MAC Transformation Charter.

Recommendation
The ACA should create awareness of the MAC Transformation Charter scorecard targets by distributing them to all advertising agencies in SA (regardless of whether they are ACA members).

8.2.12 Compliance with the MAC Transformation Charter targets

A majority of advertising agencies aspire to comply with the MAC Transformation Charter targets, with some already having achieved 2009 targets. The advertising agencies highlighted a number of hindrances in attaining targets, doubts pertaining to the MAC Transformation Charter and other related worries. The first was related to the fact that the MAC Transformation Charter had not been gazetted at the time of the interviews, but was subsequently gazetted as a Section 12 charter, which is not binding on the advertising industry. Other problems include international ownership constraints; differences between the MAC Transformation Charter and the DTI's generic scorecard; BEE interpretations; and the fact that a poor economic climate may hinder the attainment of MAC Transformation Charter targets.

Recommendations

Further research should be commissioned to see whether and/or how advertising agencies have responded since the MAC Transformation Charter was gazetted. Furthermore, the ACA and DTI should speed up the process to gazette the MAC Transformation Charter in terms of Section 9 in order to make the targets binding on the advertising industry, which would provide an industry-specific platform to accelerate BEE. The ACA should consider including bonus points that were omitted from the MAC Transformation Charter before it is submitted to the DTI to be gazetted under Section 9.

8.2.13 Advantages in attainment of MAC transformation targets

Some advertising agencies do believe that there were some advantages in attaining the MAC transformation targets, but a majority were uncertain or did not believe that there were any advantages. The BEE versus real transformation debate was raised again in terms of whether the attainment of MAC targets would result in tangible transformation, while some advocated that BEE was not the answer for real transformation.

Recommendation

The government should regularly publicise company and industry BEE success stories to show what has worked and what BEE has accomplished, instead of allowing media to dominate the press with failures of BEE, which continuously creates negative sentiment.

8.3 BBBEE ownership

This section provides noteworthy discourse on observations that were made on ownership structures, benefits, problems and best practice regarding the BBBEE ownership element. Several advertising agencies have made progress in terms of the BBBEE scorecard and/or MAC Transformation Charter goals by taking heed of past failures and developing their unique strategies to overcome various ownership-related problems; these have lead to several distinctive benefits.

8.3.1 Innovative BBBEE ownership structures

Most of the Cape Town advertising agencies are majority internationally- or White-owned versus a single predominantly Black-owned advertising agency. Lower than anticipated Black ownership was found in Cape Town compared to national averages, but nevertheless a majority of Cape Town advertising agencies had already achieved the 2009 Black ownership target outlined in the MAC Transformation Charter and some BEE partner deals have indirectly benefited the lives of thousands of people. The high incidence of international ownership was because of financial

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considerations and restrictions, whereas White ownership occurred as a result of the Cape Town advertising agencies being founded by them. Several advertising agencies gave away considerable portions of their business in order to advance BEE in SA. Black staff trusts and/or shareholding were created by 75% of advertising agencies and are predominantly broad-based. These do and will continue to benefit a great number of previously disadvantaged Black people.

Recommendation

A greater number of advertising agencies should investigate the possibility of establishing Black staff trusts that will benefit all of their Black PDI staff and other PDIs, as opposed to only a small number of external shareholders or investors.

8.3.2 Difficulties in obtaining BEE partners and/or establishing Black staff trusts

A majority of advertising agencies felt that it was a difficult process to find a BEE partner and/or to establish a Black staff trust. Predominant reasons for these problems were noble, since some advertising agencies wanted to find BEE partners in the interest of promoting real transformation. Whereas it is known that establishment of trusts are generally lengthy, time-consuming and complicated concerns and, consequently, the findings were no different in the advertising industry.

Recommendation

Advertising agencies and other companies should be able to learn from difficulties that were encountered in establishing Black staff trusts and it is, therefore, suggested that the complications, as well as the successful trust configurations, are publicised to assist those who want to implement these truly broad-based Black ownership mechanisms.

8.3.3 Good BEE credentials analogous with BEE partners/Black staff trusts benefits

The right BEE partner(s) hold various benefits and were elaborated upon by a majority of the advertising agencies. The most common benefits were getting on to pitch lists; new business; client retention; recruitment of new staff; economies of scale; appreciation of share worth; and improved staff proficiency. Black staff trusts' main benefit was to inspire staff to put more effort into their work in order to increase their chances of receiving rewards.

Recommendation

The main benefits of Black staff trusts should be made public to inspire other advertising agencies to implement these advantageous, transformational Black ownership schemes.

8.3.4 External BEE partner problems

A few advertising agencies experienced problems with their BEE partners, but a number of potential problematic issues were also raised such as BEE partners leaving; suddenly changing the role they play in the advertising agency; conflict of interests (short-term goals versus long-term sustainability); adding little value; inexperience; not understanding the advertising business or earning their keep; and it being a long and costly process when they leave, and several others. There are no easy solutions to these problems other than the preventative measure (discussed in Category 26.1) of embarking on a thorough selection process so that the right BEE partner is chosen. Several strategies have been implemented to resolve certain problems, some of which have worked and others not, but the important aspect is at least that advertising agencies are striving to seek solutions to problematic issues with their BEE partners. The one that worked best was when the BEE partners and entire senior management of an advertising agency went on a breakaway in an effort to understand each other and to resolve problems. The end result was promising and led to a deeper respect and appreciation of one another that would go a long way in resolving future challenges.

Recommendation
Advertising agencies should implement strategies in an attempt to ease relationships with their BEE partners and perhaps those that worked could be publicised to help others that experience similar problems.

8.3.5 Uncertainty regarding intention to increase Black shareholding

A minority of advertising agencies expressed their intention to increase Black shareholding and several reasons were provided why they were not certain or would not be increasing their current percentage. A single advertising agency implied that they would be reversing Black shareholding to a small degree to compensate White management who had sacrificed their shares in order to promote BEE transformation.

Recommendation
Other advertising agencies could also consider that real transformation is a not one-sided affair and may implement strategies, at an appropriate time, to reimburse those who had made sacrifices to advance transformation.

8.3.6 Challenges to increase ownership percentage of Black shareholders

The main challenges to increase Black shareholding are because of international ownership constraints and the fact that individuals were required to sacrifice shareholding for the sake of BEE.

Advertising agencies have begun to investigate other ways to reward Black staff besides shareholding such as by investigating other BBBEE elements or alternative monetary incentive schemes, for example, those mentioned in the form of Black staff trusts.

Recommendation

Successful financial reward systems should also be made public so that other advertising agencies and companies could implement and benefit from them.

8.3.7   Best practice criteria when seeking BEE partners

The major best practice criteria for selecting BEE partners is to find those who are passionate, interesting, understanding and could add value to the advertising business by working or assisting with the running of the advertising agency. A few felt that BEE partners should result in new business, whereas others strongly disagreed with this notion. Others proclaimed that they would utilise staff to increase Black ownership instead of BEE partners and several advocated that investors were not ideal BEE partners.

Recommendation

The best practice criteria in this BEE study should be published to make companies in other industries aware of ideal traits that BEE partners should and should not possess.

8.4   BBBEE Employment Equity

The third topic provides imperative dialogue on the EE plans, Black representation, approaches to increase the number of Black PDIs, benefits of having diverse staff, recruitment and retention problems of Black staff, potential measures to overcome these problems and the duration to train new staff. In general, advertising agencies have made the least progress in terms of the BBBEE Codes of Good Practice scorecard and/or MAC Transformation Charter objectives, but have employed a range of tactics in an attempt to increase Black PDI numbers in Cape Town.

8.4.1   Incidence of up-to-date EE plans

There was a fair amount of doubt regarding prevalence of EE plans amongst advertising agencies. The EE registries (2005 – 2007) justified this indecisiveness by reflecting a low submission rate, as well as by reflecting a number of discrepancies between the advertising agencies' responses against the EE registries. Possible reasons for the uncertainty pertaining to EE plans could be ascribed to confusion between the DTI's and the DoL's EE legislation and stipulations, the low prevalence of HR staff, a downward trend of EE plan submissions and the DoL's general ineptitude.

Recommendations

Advertising agencies should consider employing someone who would not only assist with the BBBEE obligations, but who could prepare and submit mandatory employment plans (a similar recommendation was made in the "time consuming and complicated process to obtain BEE recognition" section). The DoL should improve their service delivery considerably with regard to clear interpretations of legislation, basic administration of requests, a fully functional website and regularly communicate on a one-to-one basis with companies. These basic interventions would go a long way to reverse the downward trend of EE plan submissions. Based on the amount of confusion between the BBBEE scorecard and EE plan, perhaps a small, yet significant, section could be added to the EE element of the BBBEE scorecard, whereby companies would receive a couple of bonus points for promptly submitting their EE plan to the DoL. This would have two major advantages: firstly, it would show all companies that the EE plan is a separate entity and, secondly, it would remedy the problem of the EE element in the BBBEE scorecard, which only focuses on managerial levels by rightly rewarding employers for addressing transformation at all employment levels.

8.4.2   Black staff representation of Cape Town advertising agencies

The advertising agencies in Cape Town achieved a mean average Black representation of 39% that was less than anticipated, based on the national percentages, which had been showing an upward growth rate of 3% per annum for the last decade. The largest Cape Town advertising agencies displayed the best Black representation figures mostly as a result of more substantial resources. It was not possible to compare the Cape Town advertising agencies' Black representation percentages against the MAC Transformation Charter targets (or BBBEE scorecards), since these exclusively focus on EE for management.

Recommendations

The BBBEE scorecard and MAC Transformation Charter only concentrate on Black PDIs at management levels, which is not truly reflective of advertising agencies' total Black workforce. It is, therefore, suggested these BBBEE measurement tools also take into account Black employees at all levels, either by awarding bonus points for submitting the mandatory EE plan (as recommended in the abovementioned text), or by splitting the EE score allocation equally since the EE plans do not have specific Black PDI targets.

8.4.3   Advertising agencies' measures to increase EE

A diverse range of actions were promoted as means to increase the number of Black PDIs and some were also confirmed by the EE plans. Strategies include internal student training programs in

the form of learnerships and bursaries, AA recruitment policies, Black staff development and promotion programs, recruitment of HR personnel to drive EE and the building good creativity credentials to attract Black talent. The EE plans concurred with training and Black preferential recruitment policies. Some advertising agencies felt strongly that only the most skilled person (in spite of their colour) should be recruited, regardless of their PDI standings. The fact that the MAPPP-SETA was in financial difficulties and consequently seldom accredits training programs, was also disclosed.

Recommendations

The SA government endorses a strong affirmative action policy, but could learn from the practice of always employing the most qualified person to do the job, regardless of their PDI status or political affiliations. This would certainly help to improve poor service that is received from the two government departments utilised in this BEE study. It is imperative that the MAPPP-SETA becomes financially stable again, since it is of paramount importance for development and funding of thousands of Black PDIs across industries and government should assist with this, if necessary. All the steps taken to increase Black PDIs should be made available to advertising agencies on a national basis in order to make them aware of what can and has been done to increase Black PDIs in the advertising industry.

8.4.4 Problems in recruiting and retaining Black PDIs

An assorted range of problems are encountered in recruiting and retaining Black PDIs, some of which were also revealed in the EE plans. Cape Town's social and economic environment; higher salaries in Johannesburg; shortages at management level; head-hunting by other advertising agencies - which as a rule offer more money; the sensory demanding nature of the environment for persons who have disabilities (although all disabilities are not necessarily sensory related); predominantly White students at advertising schools; low salaries in the advertising industry; and several other problems are raised concerning difficulties in recruiting and retaining Black PDIs. The problems mentioned in the EE plans reinforce these problems. The fact that people switch jobs regularly in the advertising industry, was also discussed.

Recommendations

The MAPPP-SETA should thoroughly scrutinise, learn from and perhaps even see how they can assist with expansion of the Imagination Lab initiative or even launch similar programmes to help alleviate the lack of Black creatives. The MAPPP-SETA should also find a way to make advertising schools more affordable, but there is a question as to when it will be fully operational and financially stable again.

8.4.5   Suggestions to overcome recruitment and retention problems of Black PDIs

A selection of logical and inventive strategies are explored as means to overcome problems that are associated with recruiting and retaining Black PDIs. Innovative staff programs, grooming Black PDIs for senior management, appropriate reward structures, creating infrastructure or positions for persons who have disabilities, internships, appropriate remuneration for scarce skills, mentorship programs, changing mindsets and providing a nurturing developmental environment, were all promoted as potential strategies to solve this problem.

Recommendations

Advertising agencies should actively determine where they could use persons who have disabilities, create necessary infrastructure and actively pursue them in order to increase the number of this marginalised group in the advertising industry. All the recruitment and retentions strategies directed at Black PDIs, especially the two innovative Black staff trusts, should be publicised in order to make other advertising agencies and companies aware of what can be done to solve this problem.

8.4.6   Training duration of new employees (Black PDIs)

The time period that it took advertising agencies to get new staff fully productive, varied from advertising agency to advertising agency, but the two most commons durations were 3 - 6 months and 18 - 24 months. No differences were disclosed as to whether discrepancies between new White or Black employees existed, although several advertising agencies believed that there was a divergence in time in getting creatives and suits competent. Others felt that the type of position, individual's talent, complexity of the client's business and advertising agency environment, all played a role. Mentors, meetings and training programs were commonly used to familiarise new employees with the advertising agency's environment, whereas others adopted a "sink or swim" approach.

Recommendation

Black individuals that seek to work in the advertising industry should make a concerted effort to get onto one of various internship or learnership programs, which are offered by advertising agencies so that they can ascertain early on in their careers whether the advertising agency working environment is viable for them as a long-term career option.

8.5   Conclusion

The advertising industry should not leave it up to the government to drive the transformation process in SA, but should instead embrace BEE and make it work as the ACA has been doing for the past decade. The findings of this BEE study show that if it is left up to the government, it will not be long before a new group of political leaders decide that BEE has failed to bring about any transformation (this talk has already begun…). The result would be disastrous and would certainly mean that the BEE rulebook would be changed once again (as has happened with essential services such as health, education, defence and justice) to break something just as it begins to yield dividends. It is up to the Cape Town advertising industry to showcase to government and other industries their BEE progress, innovative transformation strategies, numerous benefits and success stories that have transpired thus far in the pursuit of the BBBEE ownership and EE targets. The findings of this research study show that there are still challenges, but with most of the fundamental legislation in place and if all of the aforementioned recommendations are considered, the path will be open to make a more rapid and tangible difference to the lives of SA's most disadvantaged citizens. One of the advertising agencies appropriately summed up what should happen in order for BEE to succeed: "It is the ticket without the promise. We have to go to build the prize."

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APPENDIX A: INTERVIEW GUIDE

Overall Transformation and BEE

1. What are your first thoughts on transformation and BEE?

2. Does your advertising agency have a BBBEE scorecard?

3. Has your advertising agency been rated by a BEE verification agency?

4. What is your advertising agency's BEE contribution level or rating?

5. Was it a very costly and complicated process to obtain BEE recognition? Please explain!

6. Do you believe it was worth the time and monetary outlay of going through the BEE recognition process? (Please motivate your answer!)

7. Discuss what major problems your advertising agency has encountered in the transformation process?

8. Have steps been implemented to address these problems? Please discuss!

9. What benefits have resulted as a direct consequence of your advertising agency's BEE credentials?

10. Is your advertising agency a member of the Association for Communication and Advertising (ACA)?

11. Are you aware of the targets as set out in the Marketing, Advertising and Communication (MAC) transformation charter scorecard?

12. Do you believe your advertising agency will attain the MAC transformation targets? Please explain!

13. Do you believe there are any advantages in attaining the above targets? Please explain!

BBBEE Ownership

14. Provide details about your advertising agency's ownership structure.

15. Was it a difficult process to obtain a BEE partner? Please discuss!

16. Explain what are the benefits of having acquired a BEE partner(s)?

17. Discuss the problems (if any) of having an external BEE partner(s)?

18. Does your advertising agency intend to increase the percentage of ownership by black shareholders?

19. Discuss the challenges in achieving the above objective?

20. Explain what your advertising agency believes to be best practice for increasing the levels of black ownership in the advertising industry?

BBBEE Employment Equity

21. Does your advertising agency have an updated employment equity plan?

22. What is your advertising agency's current black representivity percentage?

23. List the steps your advertising agency has taken to increase employment equity (black PDIs)?

24. Explain what are the major problems in recruiting and retaining black PDIs?

25. Discuss the measures that your advertising agency has taken to overcome these problems.

26. Approximately how long does it take to train a new employee to be competent in their job?