



UNIVERSITY OF CAPE TOWN

**Viability of a BBEE Employee Share Trusts:
A Case Study of an Engineering Consulting Firm**

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Abstract

The Broad Based Black Economic Empowerment (BBBEE) policy was created as part of the South African government's drive to correct the inequalities created by the previous apartheid government. This policy rewards companies for empowering previously disadvantaged individuals (PDI's). This empowerment impacts on the ownership of companies with some companies opting to award shares that are held in a trust for employee owners. One such company is the Red Hat Company of South Africa (RHCSA) who created an employee share trust, the Red Hat Employee Share Trust (RHEST). RHEST owns 30% of the company shares with all PDI employees within the company as beneficiaries of the trust. In any year where ordinary company dividends are declared, 30% of all such dividends are paid into the trust and distributed using a scoring system. Since its inception there have been various problems and issues within the RHEST. Beneficiaries indicated that they were unhappy with many of the structures and policies in place. The question this research study seeks to answer is: What interventions can be introduced into the RHEST to make the system more feasible for the stakeholders?

This question is addressed through two sub questions, which are:

- What are the stakeholders' perceptions of issues within the trust?
- What are the viable and culturally feasible interventions that can be performed to improve the situation within RHEST?

The conceptual framework selected to approach the research study is a systems thinking approach. A customised 4 – step methodology is devised from the systems methodologies to fit the purpose of the research. The research study is conducted using interviews, workshops and supplementary raw data collected by using documentation that included memorandums and emails send to the trust secretary from beneficiaries. Using Soft Systems Methodology techniques, the following interventions were agreed as desirable and culturally feasible:

- Changing the trust scoring system to be more inclusive
- Having lunch and learn sessions to learn more about the RHEST
- Assist with the management of RHEST structures - the trust secretary position and the Sharepoint Site

Although the proposed interventions were not wholly accepted by the Board of Directors, the governing body of the RHEST, the research study was considered a partial success due to the participative nature of all involved and the fact that beneficiaries experienced the process as emancipatory.

Dedication & Acknowledgements

I would like to extend my sincere thanks to the following people for their assistance in the completion of this dissertation

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“A systems approach begins when first you see the world through the eyes of another” (Churchman 1968, p. 231)

Introduction to the research problem situation

As part of the South African government’s drive to correct the inequalities created by the old apartheid government, privately owned companies are rewarded for committing themselves to providing greater economic opportunities to previously disadvantaged individuals (PDI’s). Companies committing to these measures are evaluated using government’s broad based black economic empowerment (BBBEE) legislation (Cresswell & Miller, 2000). Such companies are assigned a BBBEE score which is indicative of their contributions in this area. These BBBEE scores are based on several criteria and depending on the individual companies’ performance based on this criteria, the company is assigned a number of qualifying points and graded into different levels. Currently companies can use their BBBEE scores and associated status for a variety of beneficial purposes, including gaining access to lucrative government and private contracts which uses company BBBEE scores as part of the criteria for appointment. Government contracts are assigned using a tendering system, whereby companies submit tender documentation in a bid to win the right to complete the project. The tender specification requires companies to submit a variety of information as part of their proposal documentation, including the BBBEE evaluation process. The higher the company’s BBBEE level, the more likely such companies are of winning large lucrative contracts. BBBEE measures have also been integrated into many industry codes of good practices for private sectors. Since 2000 more privately owned companies have started integrating the BBBEE requirements as part of their own tender requirements for private sector projects (Cliffe, Dekker, & Hofmeyr, 2011). Thus companies bidding for projects in either of the private or public sector have become dependent on their BBBEE score as an integral factor for winning such contracts.

The next section of this dissertation will introduce the South African government’s BBBEE framework and provide a concise description on the origins and constitute of the BBBEE legislation. Literature on this specific topic is vast and diverse. Thus my aim is to provide some broad details to the development of and within the BBBEE policy. The literature also provides a perspective on the implementation of the policy, and specific to this research, how the company trust structure became a vehicle for BBBEE implementation.

1.1 Employee share trusts as a vehicle for company BBBEE framework

The focus in this section is on the BBBEE framework and legislations and how these affect companies operating in South Africa. This provides a frame within which to locate and argue the relevance of this research study.

1.1.1 What is broad based black economic empowerment?

BBBEE is seen as a vital step for transformation and uplifting all previously marginalised communities who were oppressed by the previous government's "apartheid" regime, which disenfranchised those citizens classified as blacks (Department of Trade and Industry, 2013). This policy is meant as an all-inclusive process for the entire South Africa and is envisioned to empower as many previously disadvantaged individuals (PDI's) as possible. It also forms a cornerstone of the country's overall growth strategy outlined in the national development plan. The construction of the regulatory framework to achieve BBBEE has been driven by two departments within government, both the Office of the Presidency and the Department of Trade and Industry (Department of Trade and Industry, 2013).

BBBEE looks at various facets which are all aimed at increasing the number of black owners that manage, own and control the country's economy, this should subsequently decrease the racially based income inequalities. These facets or components are explained in government's updated 2013 Black Economic Empowerment Act (Cresswell & Miller, 2000).

Since the initial Employment Equity Act of 1998, beneficiaries of BEE were simply stated as previously disadvantaged individuals. This term was carried through to the follow up Act in 2000 – the Preferential Procurement Act, and 2003 – the Black Economic Empowerment Act. However, this has caused serious problems at various stages of the implementation process (Deloitte Forensic, 2013). The definition of who should benefit from empowerment has shifted in the new BBBEE Amendment Bill of 2013, from "previously disadvantaged" to one of a clearer definition in terms of race.

Mazibuko and Boshoff (2003, p. 34) argues that this shift makes it much clearer who the intended beneficiaries are and removes some of the deception and confusion which characterised the early BEE policies.

The BBBEE Amendment Bill of 2013 defines beneficiaries as "Africans, Coloureds and Indians". These population classifications align with those applicable under old apartheid laws and differ from previous

Acts which also included people from Chinese origin who resides in the country prior to 1994. Although these Chinese beneficiaries are not totally excluded in the amendment bill, the numbers has dropped significantly and those Chinese citizens who qualify can only be confirmed through the Department of Trade and Industry registry.

1.1.2 The black economic empowerment act

Leenheer (2009, p. 8) describe the BEE Act as “an entity which was brought into life to promote and achievement the constitutional right to equality, increase broad-based and effective participation of black people in the economy” and “promote a higher growth rate, increase employment and more equitable income distribution”. The Act is a central piece of legislation that is used as a cornerstone for the formulation of various different industry procurement targets. The Act is however only mandatory in government departments, but private companies wishing to do business with these departments must meet its BBEEE requirements.

Private entities procurement are not required to adhere to BBBEE legislation, however those companies that does not adhere to the requirements of the Act is also finding it increasingly difficult to do business outside government departments, as more privately owned firms now also require BBBEE compliance in order to boost their own BBBEE credentials especially under the procurement scoring section of the Act (Menke & Buxton, 2010). Numerous industry code of good practice also encourage the use of BBBEE requirements for procurement which further enhances the need for companies to comply.

1.1.3 Measurement of broad based black economic empowerment

A scorecard approach is used in assessing company’s BBBEE status, awarding points to the company for different aspects of BBBEE. These points then grade each company or entity and depending on the number of points, a specific BBBEE level is assigned to the company which is then used for tendering purposes. The scorecard used to arrive at the BBBEE score of a company, which is viewed as the “BBBEE Contribution Level” of that company, is mainly used in the context of a tender evaluation and preferential procurement measurement for government and some private contracts (Menke & Buxton, 2010, p. 8). The act provides for different scorecards depending on the size of the entity in terms of company turnover and also industry specific scorecards. New legislation introduced in October 2013, which was set to be implemented in February 2015, and has subsequently been delayed due to various objections will however be heavily reliant on a generic scorecard. A sample of the generic scorecard is shown on the following page (Deloitte Forensic, 2013, p. 3):

Table 1: New Amended BBBEE Act Generic Scorecard (Deloitte Forensic, 2013, p. 3)

Revised B-BBEE Recognition Levels			
BBBEE Status	Current Qualification	New Qualification	BBBEE Recognition level
Level One Contributor	≥ 100 points on the Generic Scorecard	≥ 100 points on the Generic Scorecard	135%
Level Two Contributor	≥ 85 but < 100 points on the Generic Scorecard	≥ 95 but < 100 points on the Generic Scorecard	125%
Level Three Contributor	≥ 75 but < 85 points on the Generic Scorecard	≥ 90 but < 95 points on the Generic Scorecard	110%
Level Four Contributor	≥ 65 but < 75 points on the Generic Scorecard	≥ 80 but < 90 points on the Generic Scorecard	100%
Level Five Contributor	≥ 55 but < 65 points on the Generic Scorecard	≥ 75 but < 80 points on the Generic Scorecard	80%
Level Six Contributor	≥ 45 but < 55 points on the Generic Scorecard	≥ 70 but < 75 points on the Generic Scorecard	60%
Level Seven Contributor	≥ 40 but < 45 points on the Generic Scorecard	≥ 55 but < 70 points on the Generic Scorecard	50%
Level Eight Contributor	≥ 30 but < 40 points on the Generic Scorecard	≥ 40 but < 55 points on the Generic Scorecard	10%
Non-Compliant Contributor	< 30 points on the Generic Scorecard	< 40 points on the Generic Scorecard	0%

It is always possible that any private or corporatized public entity could have its own BBBEE requirements which it imposes in a tender context for its own procurement requirements, which could differ from government’s criteria provided in the scorecard. These requirements often exceed those required in the act.

1.2 Company trust frameworks

In order to comply with the ownership component of the BBBEE legislation, companies can form trusts as profit sharing vehicles for qualifying employees. Typically a company would establish a share trust for the benefit of the company’s employees only. The share trust would get issued shares of the company, either from an existing shareholder or from issuing new shares. Since most employees cannot afford to purchase such large numbers of shares in companies, the shares could be issued to the trust for free, with consent from existing shareholders, or the company may grant a loan to the trust for the purchasing of the shares. In the case of a company loan, the share trust could be required to pay back the loan

amount before any ordinary dividends are distributed to beneficiaries and the share trust will pledge the shares to the company as security for the loan granted (Kraizberg, Tziner, & Weisberg, 2002).

In certain instances the company may only require the share trust to repay the interest accrued on the loan and subsequently the shares are still owned by the company. Thus beneficiaries benefit by the distribution of shares through the share trust only if ordinary shares are declared and only after payment of the loan interest.

Where the company decides to use the share trust as a profit sharing mechanism to adhere to the ownership component of the BBBEE scorecard, this component may not count for more than 40% of the overall score. The share trust must however also adhere to strict criteria to qualify.

The following list of qualifying criteria for an employee share trust is extracted from Government Gazette 36928, No 1019 of 2013 (Department of Trade and Industry, 2013):

1. The scheme's constitution must define the participants and the proportion of their claim to receive distributions. A written record of the name of the participants or the use of a defined class of natural person satisfies the requirement for identification. A written record of fixed percentages of claim or the use of a formula for calculating claims satisfies the need for defining proportion of benefit;
2. The fiduciaries of the scheme must have no discretion in this regard;
3. The participants must take part in appointing at least 50% of the fiduciaries of the scheme and managing the scheme at a level similar to the management role of shareholders in a company having a shareholding;
4. The constitution, or other relevant statutory documents, of the scheme must be made available, or on request, to any participant in an official language in which that person is familiar.
5. All accumulated economic interest of the scheme is payable to the participants at the earlier of a date or event specified in the scheme constitution or on the termination or winding-up of the scheme;
6. The scheme fiduciaries must present the financial reports of the scheme to participants yearly at an annual general meeting of the scheme;
7. 100% of the points allocated for the ownership component of the scorecard, if the scheme has a track-record of operating as an employee ownership scheme or in the absence of such track record demonstrable evidence of full operational capacity to operate as an employee ownership scheme. Operational capacity must be evidenced by suitably qualified and experienced staff in

sufficient number, experienced professional advisors, operating premises and all other necessary requirements for operating a business.

If the company share trust meets the above criteria it is considered a legitimate scheme under government's regulations and the company may utilise the scheme to maximise its BBBEE scoring as it sees fit. The RHEST currently meets and exceeds these considerations.

This concludes the discussion on the framework of BBBEE and how this affects companies doing business in South Africa. The following section of this dissertation will focus on the research problem situation which involves a company share trust, as explained in the previous section, which operates as a profit sharing mechanism for the company employees qualifying as beneficiaries. In particular the following section will address the paradox that while the RHEST meets and exceeds legal requirements, it has not achieved legitimacy and credibility amongst the beneficiaries of the share trust.

1.3 Research focus

The Red Hat Employee Share Trust abbreviated as RHEST, a pseudonym used for this study, was established in 2009. The heritage South African company, XYZ engineers, also a pseudonym used for this study, was acquired by the international engineering company, Red Hat, towards the end of 2009 to form a new company, Red Hat Republic of South Africa (RHRSA). The trust was formed as part of RHRSA's commitment to government's BBBEE legislation. RHRSA's Board of Directors decided to include all employees who qualify as BBBEE beneficiaries as benefactors of the trust to benefit from any ordinary dividends that flows into the trust. RHRSA decided to **sell** 30% of its shares to the RHEST. The financing of the trust, i.e. the **buying** of the 30% shareholding in RHRSA, was conducted through a loan agreement financed by the company itself and thus the RHEST trust became a company owned trust. The RHEST adheres to all government regulations for company trusts. The regulations for company trusts falls outside the scope of this research and will not be discussed in any great detail. One of the regulation requirements is that the trust management must be representative of directors from both the company and the beneficiaries from the trust.

The Board of Trustees for the RHEST consists of two company elected trustees, two beneficiary elected trustees and one external, independently elected chairman. The company has various offices around the country situated in Johannesburg (head office), Cape Town, Durban, Port Elizabeth, Bloemfontein, and George. The highest concentration of beneficiaries is within the Pretoria and the Cape Town offices of the organisation. At the time of conducting this research study, the Pretoria office constituted 40% of

the beneficiaries and the Cape Town office another 32% of the beneficiaries while the rest of the beneficiaries are spread throughout the smaller offices. The company uses the share trust as a profit sharing mechanism which benefits all the previously disadvantaged personnel. Using the share trust as part of its BBBEE strategy, the company currently scores as a level 2 BBBEE contributor. Should the trust be dissolved or become non – existent this level could drop to a level 5 contributor which will adversely affect the company’s ability to tender competitively for especially government contracts.

The share trust consists of numerous stakeholders with varying perceptions and expectations of the share trust. To understand the needs and influence each stakeholder has on the RHEST, a stakeholder analysis was conducted at the start of the research study. This analysis also formed part of the Critical Systems Heuristics, one of the systems methodologies used in the research and is documented in Appendix D. Figure 1 shows the stakeholders considered.

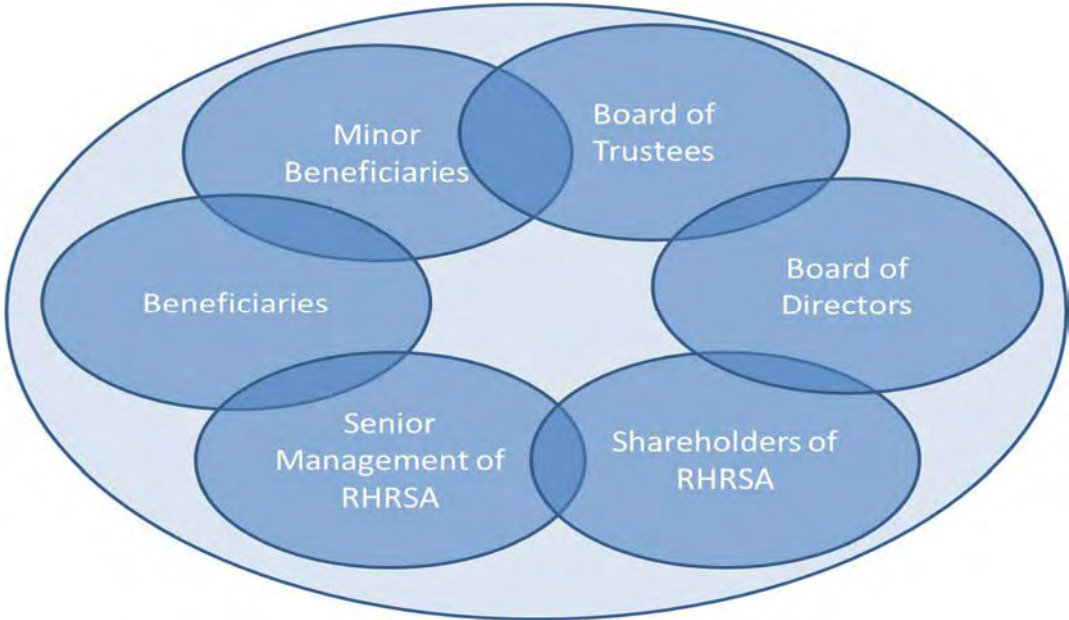


Figure 1: RHEST Stakeholders

Since its inception there have been various problematic areas within the RHEST. Several of the beneficiaries, especially from the Cape Town office, have raised several serious concerns at interim meetings and through emails sent to me in my capacity as the trust secretary. In October 2012, a memorandum which originated from the Cape Town based beneficiaries, was sent through to the Board of Trustees for action articulating the concerns of this group. This memorandum highlighted several problematic themes within the trust. A follow up memorandum, dated June 2013, was presented to the trustees, from the beneficiaries, where additional recurring problematic issues were highlighted. Both of these memorandums are attached in Appendix H.

One of the major sources of conflict identified within the share trust is the loan agreement between the RHEST and RHRSAs, which is structured as a preferential share. The loan is structured as a preferential share that the company granted the trust to pay for its 30% shares and interest is paid back on a quarterly basis, if profits are available. Due to the large amount owed on the preferential share, which is in excess of R300m, the company decided that the trust does not have to pay the entire preferential share amount as this will almost always deplete any declared dividend, which means beneficiaries will almost never benefit financially. Thus it was decided that the trust should only pay the interest accrued during a quarterly basis if dividends were available for such payments. Furthermore, should no profit be available for any particular quarter to pay the preferential share, the monies owed will not be cumulative but will be written off for that period. The preferential share is also deemed a continuous loan amount and the option to buy back the entire 30% shares of RHRSAs from the trust is granted to the trust on a ten yearly basis. However, due to the large amount, this is highly unlikely. The more likely scenario is that the buyback period will lapse and status quo will prevail within the RHEST and that the preferable share will be an on-going interest bearing amount which will be paid on a quarterly basis. The benefit of the current agreement is that the preferential share presents zero risk to beneficiaries in terms of providing any equity for future acquisitions or if the company has any financial difficulties in the future. Beneficiaries are protected against any financial risk as shareholders. In any particular financial year where the company declares an ordinary dividend, 30% of such dividend will flow into the trust and after the payment of the loan interest, or the preferential share, all remaining monies will be distributed amongst the beneficiaries using the scoring card criteria inherent in the trust.

The scoring card system for the trust is a mechanism by which beneficiaries are assigned a certain number of points depending on their individual company assigned grading. The company grading depends on the function and the position each beneficiary has within the company structure. The number of points each beneficiary is entitled to determine the share of the dividend that particular beneficiary will get for that financial year, should an ordinary dividend be declared. As this is a company owned trust, the scoring criteria used in the scoring system can only be determined by the company Board of Directors and is not open for amendment to any other authority including the RHEST Board of Trustees.

1.3.1 Identifying problem areas as the research focus

One of the major problematic issues raised in the memorandums is the current scoring system criteria within the trust. During the initial research investigation, and again during the first workshop sessions, various beneficiaries referred to the scoring system as “unfair”, “undemocratic and unrealistic” and that

“poorer beneficiaries are marginalised” by the current scoring system. This is evident in the documents provided in Appendix H.

The system currently uses what the company trustees refer to as a “value adding” principle that assigns more points, and thus more potential financial benefit, to individuals that have higher management positions within the company. During the first workshop held as part of this research the majority of beneficiaries argue that this principle is contrary to government’s BBBEE principles and discriminates against lower paid individuals, who need such financial benefits more, in order to realise government’s BBBEE objectives, especially financial empowerment. These beneficiaries argue that currently higher scoring beneficiaries are already being remunerated for their value adding to the company through salary structures and should not have to be “double remunerated” for their function performed within the company. This system tends to extend the gap between the “richer” and “poorer” beneficiaries within the trust. At a workshop conducted for the purpose of this study, dated 16 August 2013, one of the beneficiaries commented that “the rich are enriching themselves” with this “value adding principle” being used to determine the scoring criteria of the RHEST. As part of this research investigation I analysed the beneficiary data to verify this claim made by beneficiaries regarding the unfair scoring system. The analysis is further discussed in chapter 4.

The Board of Directors who created the scoring system argues that the scoring system is designed to “reward” more value adding beneficiaries and act as an attraction tool for engineers, technicians and management orientated PDI’s which is the driving force of the company’s profits.

The Board of Directors also highlights that, in defence of the scoring system, the company has the option to limit the trust to only certain individuals within its structures but infact decided to make it as broad based as possible. Thus most beneficiaries should be satisfied just to be included within the trust and that the company should rather be commended for adhering to government’s principles of broad based black economic empowerment. This view, however, is not shared by the beneficiaries and creates tremendous tension amongst stakeholders.

Several attempts have been made to resolve issues through various meetings between senior company directors and beneficiaries within the trust. Such meetings tends to end up in further argumentation and in – fighting within the RHEST. The level of trust between the trustees, company management and beneficiaries has deteriorated to a point where beneficiaries are self-organizing into groups to “combat” the “unfair behaviour” of the company and the trustees. As the trust secretary, I received constant beneficiaries’ complaints regarding the trust. Beneficiaries have also publicly accused the company of

“fronting” which is a very serious allegation. The conflict situation within the trust has deteriorated to the point where certain stakeholders were quite willing to dissolve the trust. Termination of the trust will have a detrimental effect on the company’s current BBBEE status and will result in the loss of several current lucrative contracts. It will also have a detrimental effect on the potential income beneficiaries can generated from the RHEST.

The situation at the start of the research study was very complex and volatile. Drawing on the issues identified from the documents in Appendix H, including various informal discussions and informal interviews with stakeholders, eight critical themes or variables were identified to form an initial concern causal loop diagram (CLD) as shown in Figure 2. This figure forms the basis of description for an initial understanding of the problematic situation. Figure 2 shows the initial identified themes or variables within the problematic situation and also depicts the interrelationships or influence between the variables identified as part of the preliminary understanding. The feedback loops depict negative reinforcing behaviour.

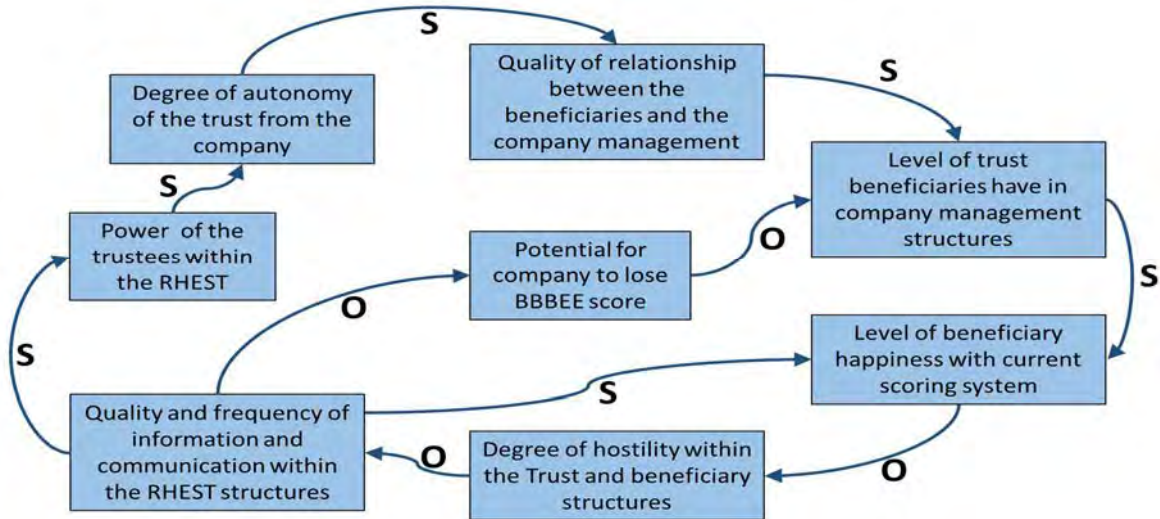


Figure 2: Initial Concern Causal Loop Diagram

This figure is particularly important as the interrelationships depicts not only an initial understanding of the problematic situation but also how the identified variables influence one another. By understanding the interrelationships or influence, depicted with a blue arrow, a better understanding of the problematic situation can be achieved. The letter **S** shows a positive reinforcement between variables and the letter **O** shows an opposite or negative reinforcement between variables. For example, while the level of trust beneficiaries have in management structures is reduced, the level of beneficiary happiness with the scoring system is reduced, this in turn means an increase in hostility within the Trust and beneficiary structures.

The aim of this research study is to better understand the problem situation and to propose sustainable interventions for the resolution of the issues within the trust. Figure 2 becomes a useful tool as it can be used to expand on the initial understanding by including more useful variables and understanding their interrelationships leading to a better understanding of the whole problematic situation and how to determine insights into finding feasible solutions.

The question that this research study seeks to answer is:

What interventions can be introduced into the RHEST to make the system more feasible for the stakeholders?

To answer this research question, I will also seek to answer the following sub questions:

1. What are the stakeholders' perceptions of issues within the trust?
2. What are the viable and culturally feasible interventions that can be performed to improve the situation within the RHEST?

The following section explains how this dissertation is structured.

1.4 Thesis structure

Chapter 1 deals primarily with the description of the problematic situation. It starts with a description of the South African's government BBBEE policy and the enshrined principles within the policy. This chapter describes who and how the policy affects within companies operating in the country. This chapter also identifies the RHEST as the problematic situation and the research focus area. The chapter concludes with the research question and consequent sub questions which this research seeks to answer.

Chapter 2 presents the literature review on employee share trusts and also the effects of a company's employee share trust on the organisation. It looks at reasons for creating company trusts, what effects it offers and what factors are important for successful management of company trusts.

Chapter 3 discusses systems thinking as an appropriate framework for approaching the research. I then looks at the philosophical worldview used to conduct the research and how this relates to the selected strategy of enquiry and the research methods selected. I outline the research design, selection of

systems methodologies and design a 4 – step methodology specifically for this research. I also provide a brief description of how each systems methodology was applied and how the systems methodologies selected complement the research.

Chapter 4 discusses the research application and the results obtained. The research was conducted mainly using three workshop sessions. I describe the pre – workshop non – participative research that was conducted and then I also discuss the workshop participative research. This chapter highlights aspects of the research study that involves the participants and aspects that does not involve participants. I conclude the chapter with the results from the third workshop which culminates in the proposal of various interactions for the feasibility of the trust and identifying actions required by specific key stakeholders.

Chapter 5 discusses the proposed interventions and conclusions drawn from the three workshops. I also look at whether the primary research question and sub questions were adequately addressed.

In the 6th and final chapter I reflect on the lessons learned and the insights gained through the completion of this research process.

Literature review

The first part of this chapter will focus on the literature discussing employee share ownership schemes or plans (ESOP's). The literature provided concentrates on reasons why companies look to adopt ESOP's and what potential benefits organisations can derive from such a mechanism. The literature also explores the potential pitfalls for the employees, and the organisation arising from the formation of ESOP's. Selected authors are then used to identify and describe the influential factors in successfully managing ESOP's. The final section explores several recommendations to better manage ESOP's and its associated complexities.

2.1 The employee share ownership plan

2.1.1 Description of a company ESOP

Mazibuko and Boshoff (2003, p. 31, 32) describes the ESOP as “a participative management approach that appeals to some of the needs of both the employees and management” that serves as a “vehicle which allows both management and employees to share in the profits of the firm”. This description places the emphasis on the needs of both the employee and employer as equally important. As both are critical stakeholders, this is quite an adequate description. The description of an ESOP used in this study is best offered by Mazibuko and Boshoff (2003, p 33) of “an arrangement which allows the employees’ rights to company equity, information and influence in decision making”. These factors are discussed later in this chapter as essential to the successful management of a company ESOP.

2.1.2 Why company's form ESOP's

The likelihood for a company to form an ESOP has traditionally stemmed from management looking to adopt an employee ownership system for “financial, tax or employee motivated reasons” (Pierce & Furo, 1990, p. 35). Sauser (2009, p. 153) noted that the current economic system forms “a closed system of wealth creation that undermines democracy,” and he further encourages the consideration of employee ownership as a more equitable system for the distribution of wealth in a democratic society. In the context of South Africa, with its persistent historical disadvantage, Lemmer (1990) claims that many South African companies who have adopted the ESOP concept has been because an attitude have developed amongst many employees, especially black employees, that they do not share in the fruits of their labour and that

their contributions towards the company does not really matter. Du Toit, Krugar and Ponte (2008) and Kovacevic (2007) argues that although the South African government's broad based black economic empowerment (BBBEE) policies aim to promote the participation of all black people in the economy, the resultant outcome is a political cronyism that benefits only a few elites. Moreover, Kovacevic states that the BBBEE initiative, although meant as an empowerment incentive, is an inadequate means of extending prosperity and only acts to widen the income disparity within the black population, he further suggests that ESOP'S could be better mechanisms for achieving government's objectives. Fauconnier and Mathur - Helm (2008) support this view that an ESOP is more effective way of extending prosperity for previously disadvantaged black South Africans. On 14 December 2011, South Africa's largest employee share scheme, Exxaro paid out a dividend of over R1 Billion to its beneficiaries, resulting in a minimum payment of R135 000.00 per beneficiary dependant on their tenure within the company (Mail & Guardian, National Newspaper, 2011). This was a significant success for the argument advancing ESOP's within the country.

2.1.3 History of employee share option plans

Employee owner companies taking the form of producer co-operatives and characterized by "employee ownership and employee management" existed as long ago as 1791 in Britain (Pierce & Furo, 1990, p. 32). During the mid-1980's the concept of employee share ownership plans or schemes started gaining more traction due to perceived linkages between ESOP's positive employee attitudes and better company performances (Pendleton, Wilson, & Wright, 1998). Maller (1987) states that ESOP's were first introduced in South Africa during the late 1980's when international companies started disinvesting in South Africa due to political pressures. Since then many large South African companies have adopted the concept of ESOP's including companies such as Pick and Pay, who have operated a limited ESOP, Anglo America Corporation of South Africa, Investec Management, Invested Bank and various farm equity schemes both in the Western Cape and Mpumalanga (Mazibuko & Boshoff, 2003). Thus the concept of ESOP's are well established and well understood within South Africa.

2.1.4 The effect of employee ownership schemes on the organisation

Providing ownership rights among the workers has long been argued as a way to reduce isolation between management and employees, promote productivity, increase value adding and enforces managerial control (Poulain-Rehm & Lepers, 2013). Empirical findings such as those conducted in South Africa by Mazibuko and Boshoff (2003) reveal that if employees have positive perceptions of their firm's ESOP's (both the value and the benefit for them as beneficiaries) they are likely to be more committed to their firm which leads to a number of benefits for the firm (Mazibuko & Boshoff, 2003). Pierce and Furo (1990, p.33) argue that when a worker is given a share in the company, "the employee is more motivated to work harder, and have less complaints" and the company is more likely to experience lower absenteeism with better financial success. South African companies have become notorious for both high absenteeism rates and low productivity. Statistics showed that in 2013, labour productivity in the manufacturing sector, our largest sector contribution to the GDP, was at it's lowest in 46 years (Stats SA, 2013). Ferreira (2013) claims that this is due to factors such as low job satisfaction and low employee motivations and low morale. Pierce & Furo (1990, p.33) argues that "employee ownership can increase employee commitment, satisfaction and motivation leading to an increase in labour productivity and employee morale" thus overcoming the issues identified by Ferreira (2013).

Leadbeater (1997, p. 18) further supports the positive claims of employee ownership schemes by stating that "employee shareholders are more patient, knowledgeable shareholders, protecting the company from the short-term pressures of the stock market. Employee ownership creates a virtuous circle of long termism, cooperation, higher productivity and quality as well as greater employment security and a fairer society". This view is further reinforced by McCarthy, Reeves, & Turner (2010) who conducted a study on a company named Eircom. The study revealed that the company ESOP created sizeable financial return and had extensive influence in the firm's strategic governance. This sentiment is supported by Sauser (2009, p. 151) who states that when employees become part owners and have vested interest in the business, have clear rights of participation and control in that business, "their combined intellectual and creative energies are released to be focused on the productive and financial success" of the organisation. The literature from all these authors suggest that ESOP's have a positive influence on an organisation.

However, the literature also revealed several contradictory claims to those supporting the formation of ESOP's. As direct shareholders employees should feel compelled to add direct value to the company. However, making employees direct shareholders does not always have only beneficial results for the organisation. Despite the many claims supporting the concept of an ESOP, there is also strong evidence to the contrary. One group of researchers revealed that while absenteeism decreases temporarily upon the formation of an ESOP, overall absenteeism actually

increased (Pierce & Furo, 1990). Employees can also feel pressurised into doing more work whilst managers can find it difficult to view workers as shareholders rather than employees which could adversely affect their relationship (Mazibuko & Boshoff, 2003). These claims are all contrary to those provided by authors noted in earlier paragraphs. Kalmi (2003) supports this view and claims, as findings from his research conducted on the effects of ESOP's on organisations, that employee ownership schemes have a very small beneficial impact on the productivity and other organisational outcomes.

Given the contradictory literature, it becomes quite clear that employee ownership does not automatically produce positive results for the organisation. For the purpose of the case study in this dissertation, I looked at several authors that investigated the conditions under which ESOP's are more successful, these authors and their claims are discussed in the following section.

2.1.5 Factors influencing ESOP management

Numerous authors have identified several factors which are critical to the successful management of a company ESOP. According to Leadbeater's research, employee ownership can have a massive positive effect on the business and improve the attitude, motivation and production of employees and corporate performance but only if accompanied by participative management programmes like employees participation groups, self-management working teams and employee advisory committees which provides workers with a "regular meaningful input into decision making processes" that related to the organisation (Leadbeater, 1997, p. 20). This suggests that in order for ESOP'S to be successful it could need certain conditions to be met. William Sauser (2009), who has written several featured articles on ESOP'S, in particular, suggests a list of seven recommendations as "a theoretical framework grounded in sound organisational theory and the writings of experts in the field of employee ownership schemes" (Sauser, 2009, p. 153). The last section of this chapter focussing on recommendations for successful management of ESOP's draws heavily on his work.

Other authors like McCarthy, Reeves, & Turner (2010) identified from their research at Eircom, a company used in their research of an ESOP, that the need to provide employees with a true sense of ownership and control as a critical component to making ESOP's successful. Pendleton, Wilson & Wright (1998) reinforces this by highlighting the need for a sense of ownership and participation in the company decision making process as important variables to promote employee attitudinal change. Sauser (2009, p. 152) also supports this view and emphasises "the clear rights of

participation and control of the business” as crucial factors to successful management of ESOP’s. Jensen (2006, p. 21) also states that "employees can no longer be seen simply as an input into the production. They are now seen to be valued; they have potential, can accept responsibility and are not passive, indolent and programmable." Jensen (2006) further explains his view by stating that management perception of employees plays a big role in the success of new employee owners. To achieve this Sauser (2009) suggests the company will require a paradigm shift in how management views employees.

Using the above literature provided by the various authors, giving employees a true sense of ownership in the organisation and giving employees participation in the decision making rights of the company are important factors to managing an ESOP successfully.

French (1987) argues that another important factor that influences the effective management of an ESOP is the power relationship between the stakeholders. He states that the new power acquired by employees will affect their current relationship with management and this will require a paradigm shift from management in order to make it work. Kalmi (2003) supports this claim by concluding that management’s view play a crucial role in shaping ownership relationships between existing and new owners.

French (1987) further argues that when employees becomes direct shareholders, this position creates a perception of rights to engage in the decision making process of the company and employees expects to have greater influence in the decision making process and if this is not the case, and more so, if the power relations remain intact, it aggravates and discourages employees who want more involvement to a point where it will negatively affect their participation, motivation and commitment to the organisation. In situations like this employees tends to view the share scheme as a mechanism for control of employees by management, with subsequent consequences. French (1987) concludes that the extent of employees satisfaction with the share scheme is dependent on the changes in the existing power relationship to meets the employees owners’ expectations of control in the organisation. The issue of power distribution is further explored by French and Rosenstein (1984) who claims that power relationships of the new and existing shareholders is dependent on how much organisational identity, decision making power and information rights is distributed to the new employee owners.

From the perspective of employees, French (1987, p. 427) argues that “employee share schemes can be viewed by employees from primarily two perspectives, either as a financial investment into the employees, and this is normally the view argued by management, or as a mechanism for

control by management and these have a distinctly different effect on the behaviour of the employee owners”.

Sauser (2009) claims that employee owner schemes have two significant factors that need to be overcome if such schemes are to be managed successful.

The first of these problems is degeneration – for an ESOP to be successful it needs to be financially successful and maintain a sense of solidarity amongst the employees. As the financial success of the organisation grows it starts becoming unwieldy and manager’s starts assuming more power due to their superior position within the organisation so they start controlling information flow and ordinary members begins to lose all effective power. The second major problem suggested by Sauser (2009, p. 154) is “our human nature in the abuse of power” – as degeneration extends, employee owned companies will tend towards a complete loss of industrial democracy and lose the advantages gained from having an employee ownership scheme. Those with power start controlling things more and more, dominant individuals resist authentic worker empowerment through political gamesmanship and the co-operative usually ends up being run by a long serving elite. This could be detrimental to the sustainability of the ESOP. In response to this Sauser (2009, p. 155) notes that “only by guarding rigidly against abuses of power can an employee owned organisation sustain itself”.

Sauser (2009, pp. 155-156) continues to suggest the following six recommendations for sustaining employee owned companies:

1. Power sharing - create an organisation structure that share power amongst several bodies, limiting concentration, human nature tends towards autocratic control and abuse of power and this should be heavily guarded against;
2. Organisational culture – each organisation should craft an organisational culture of character and take active steps to maintain that culture throughout the lifetime of the ESOP;
3. Servant leadership – the affairs of the ESOP should be managed in a manner that is congruent with servant leadership, a new paradigm of leadership is generally required with management leading by consent rather than command and control;
4. Manage trade unions – employee ownership requires a new management style which incorporates all entities and this must include a transformed look at the role of trade unions to focus on win – win rather than adversarial engagements;

5. Self-managed work teams – to create democracy at a micro level, the creation of self-managed work teams is critical to replace the role of the traditional “supervisor”. Workers like the idea of someone not looking over their shoulder but must also learn to take more responsibility;
6. Value guardians – every member of the ESOP must be encouraged and empowered enough to act as a vigilant guardian of the foundational values of the organisation.

2.2 Conclusion

What is clear from the literature is that ESOP’s can have a significant effect on the enthusiasm and attitude of workers towards the value adding in a company. However there are definitive factors which influences the successful management of such ESOP’s. These factors include employees being provided with a real sense of ownership and control within the entity, the management of the power relations between management and new employee owners and what Sausser (2009) refers to as “degeneration” and “the abuse of power”. Failing this the scheme can have a negative effect on the employees and the organisation.

The next chapter describes the design and selection of research methodologies and particularly systems thinking as an appropriate methodological approach to the dissertation.

Selection of research design and methodologies

The first part of this chapter provides an introduction to systems thinking. I then present a brief history on the development of systems thinking and provide a motivation for using systems thinking as the methodological framework for approaching this dissertation. This chapter then discusses the research design and methodologies used to conduct the study.

The research design explains my philosophical worldview and how this relates to my strategy of enquiry and selected research methods. Given my selected worldview, the choice of interpretive and critical systems approaches as a broader construct encompasses and further constructs the paradigm for addressing this research. The worldview selected influences both the strategy of enquiry and the research methods chosen to conduct this research.

3.1 Introduction to a systems thinking paradigm

In the case study described in this dissertation, issues are perceived differently by the different stakeholders, the social environment is dynamic and there are ethical considerations for which a solution is not readily apparent. Thus the case study can readily be described as a complex problem. Complex problems can be defined as problems which come related to other problems, in richly interconnected situations (Jackson, 2003). Russel Ackoff (1981, p. 22) refers to such problematic situations as “messes” which should be managed rather than attempting to solve them.

The problem situation is rich with variety and interconnected variables as shown in Figure 2. Such complex situations require adequate frameworks for dealing with them. Checkland (1981) proposes systems thinking as a framework for dealing with such complex problems. Various authors including Jackson (2003), Rios (2010) and Senge (1990) reinforces Checkland’s claim and states that amongst the various theoretical developments available for dealing with problem situations with “rich variety”, the systems thinking approach is best suited. Checkland and Poulter (2006) claims that systems thinking is the best framework to utilise when trying to understand real life messy situations. Forrester (2009) reinforces this view by stating that systems thinking can allow one to reveal the interrelatedness of the physical and social systems present in the situation. Jackson (2003, p. 40) also notes that “systems thinking has developed a variety of problem resolving approaches to match the variety of the problem contexts we can envisage”. Ulrich (1994, p. 1) also supports the use of systems thinking in complex situations by saying that

“although systems thinking cannot make the difficulties in question disappear, it can help us to better understand them and to face them self-critically”.

Thus drawing from the various authors systems thinking was chosen as an adequate framework for approaching the problematic situation described in chapter 1.

As systems thinking represents a movement that pursues a philosophical view in opposition to reductionism and mechanism and seeks comprehensive understanding of situations (Midgley, 2000), a definition for systems thinking is not straight forward. What systems thinking offers as a framework for complex problems is described in part by Senge’s (1990, p. 54) definition of systems thinking as “a discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing patterns of change rather than static ‘snapshots.’ This definition represents a perspective of systems thinking that is aligned with the view of systems as cognitive constructs (Jackson, 2000), i.e. it exists as a perspective of a situation rather than an objective physical entity. In this dissertation, the view of systems thinking is that of thinking systemically, i.e. modelling of a complex problem that is an interpretation of the actors involved while developing hypotheses of the underlying structures that produce the problem behaviour.

3.1.1 A brief history of systems thinking

In response to the many failures of reductionist thinking during the first half of the 20th century, Ludwig von Bertalanffy (1968, p. 7), generally perceived as the father of system thinking, proposed what he termed “general systems theory” (GST). At the time, reductionist thinking was the leading paradigm with which problems were being approached in all fields including science, engineering and biology. In reductionist thinking a system is defined as “a ‘aggregate’ of parts in which the wholes is equal to the sum of its parts” (Jackson, 2003, p. 30). Reductionist thinking asserts that all objects and events or systems, and their properties, can be understood in terms of their ultimate elements. This mechanistic or reductionist view sees the parts as paramount to the system and furthermore seeks to identify and understand the parts individually in order to understand the system holistically.

GST was developed as a theory of systems with the view of integrating the various sciences with unifying principles. It formed the foundation of systems thinking as a change in paradigm and using different thinking skills. The concept of systems thinking has however evolved to much more than just a replacement of reductionist thinking with that of a paradigm of holism (Jackson, 2003).

Systems thinking have progressed past this singular facet and embodies the understanding of a systems individual parts, how the parts relate and behave relative to each other and to the system in question, it acts as a tool to understand the real world in a more profound way. Systems thinking is no longer regarded as representations of reality, as it was regarded in the first phase of Midgley's representation which is shown in Figure 3, but rather as mental constructions to enable learning (Midgley, 2006).

Thus an important aspect of systems thinking is that it must consider both the part and the whole as Cabrera (2006, p. 63) describes when he says that systems thinking is a "thinking that balances focus between the part and the whole." Midgley (2000) documents the evolution of systems thinking as three waves which he describes as: physical, social and critical. The three waves of systems thinking evolution identified by Midgley are shown concisely in Figure 3 below:

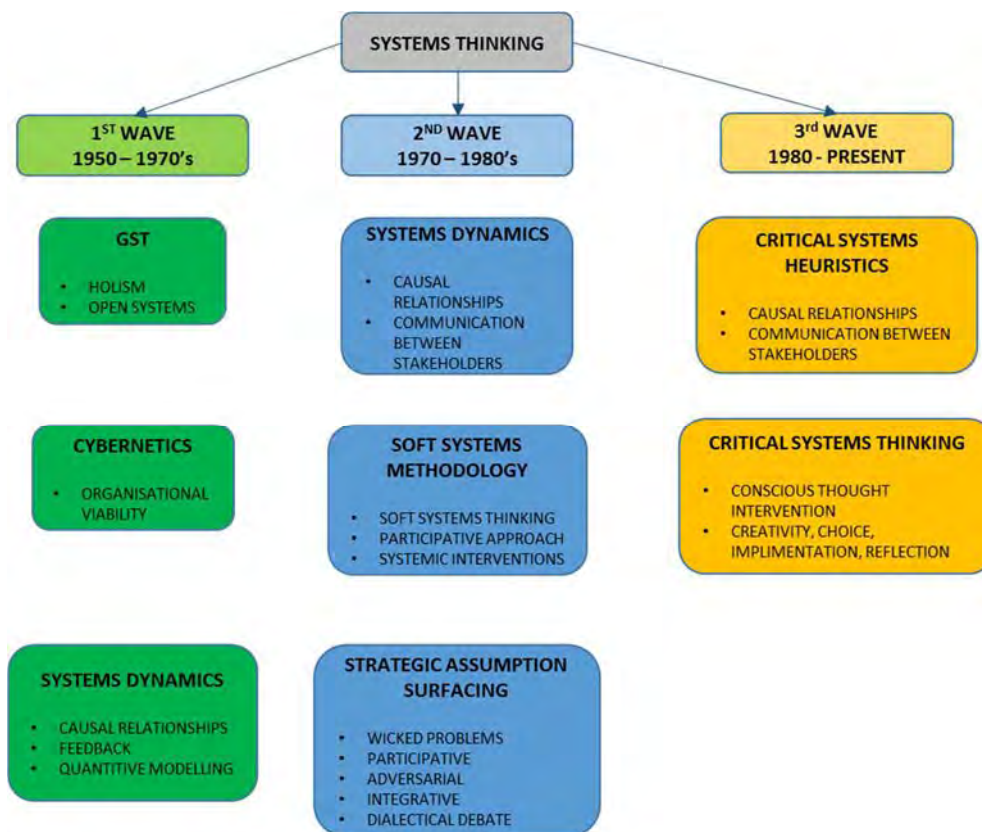


Figure 3: Midgley's 3 Waves of Systems Thinking (Adapted from Midgley, 2000. p 192 - 209)

As Figure 3 shows there is a great variety of approaches available within the systems field. Midgley's three waves built onto each other like pebbles in a beach building from sequential waves. (Imam, Lagoy, & Williams, 2006).

The first wave is characterised by systems engineering, systems analysis and the early version of systems dynamics. The focus here was on improving a situation by describing it in a more rudimentary way – the physical systems. These systems models was later criticised for considering the problematic situation as a true reflection of reality without taking into consideration individuals' perceptions of the problematic situation (Midgley, 2006).

The second wave of systems concepts emphasised discussion between the stakeholders and a consideration of different viewpoints from the practitioner. The focus here moved towards using systems concepts as tools to understand the real world better and thinking of systems as a mental construct that is used for learning about the real world (Imam, Lagoy, & Williams, 2006).

Peter Checkland in particular questioned the approach followed by the first wave of “hard systems” concepts and consequently lay the foundation for a “softer systems approach” which based systems as “epistemological constructs rather than real world entities” (Reynolds & Holwell, 2010, p. 11) Mirijamdotter (1998, p. 11) summarises the difference between hard and soft systems thinking as “the soft tradition regards systems models as models relevant to arguing about the world, not models of the world; this leads to ‘learning’ replacing ‘optimizing’ or ‘satisficing’; this tradition talks the language of ‘issues’ and ‘accommodations’ rather than ‘solutions’ “.

Drawing on Jackson (2003), Checkland (1999) and Senge (1990), I summarised the difference in the “hard” and “soft” systems methodology approaches as shown in Figure 4 on the following page:

Hard Systems Methodologies	Soft Systems Methodologies
<ul style="list-style-type: none"> • Approach is well defined, clear understandable problems. Looks at what systems is needed to answer the problem and leads to the problem being resolved. Problem has a definitive solution. • Thinking in terms of technical problems, managing is the decision making process. • Has a deterministic complexity about the problem situation. • Likely to have defined parameters for failure. 	<ul style="list-style-type: none"> • Ill-defined real world problems. The approach starts by investigating the problem area and allows unexpected results to be revealed in later stages. Many problems with many possible solutions. • Considerations are given to the human side of the situation. Stakeholders perceive and judge the situation based on personal, cultural & emotional factors, managing is the sense making process. • Has an unpredictable, undefined complexity about the problem situation. Looks at creating solutions that promote mutual understanding and considers power relations • Soft systems view the process of inquiry into a problem of complexity with no defined failure parameters, it is less easily dealt with and cannot be defined in simple success or failure parameters

Figure 4: Hard vs Soft Systems Methodology Approaches

By the end of the 1980's a third wave of systems concepts appeared - Critical systems thinking (CST). CST shares the same epistemological shift as the soft systems tradition but addresses some of the perceived inadequacies in both hard and soft systems thinking (Midgley, 2000), most notably the inadequate consideration of power relations and the formation of system boundaries. Iman et al (2006) surmises it as "the third 'wave' or 'phase' acknowledged that, in reality, not all perspectives are born equal. So for a truly systemic analysis and solution, each perspective is subjected to a critique that challenges the power structures and claimed expertise that gave it status." This concept of challenging the power structures is central to one example of this third wave of systems thinking - Critical Systems Heuristics (CSH). CSH was developed by Werner Ulrich as an approach which forces the researcher to reflect on the presumptions made in their search for knowledge and action to influence the system (Jackson, 2003). As one of the systems approaches used in the research, CSH is discussed later in this chapter and a more detailed discussion follows in Appendix A. This concludes the discussion on systems thinking, its relevance to this dissertation and the systems thinking evolution.

The following section of this chapter will explain the plans used for the study that spans the decisions from broad assumption and worldviews used to detail methodologies and methods of data collection and analysis. The research plan involves several decisions that needed to be made in order that they make sense and are presented below.

3.2 Selection of research design

According to Cresswell (2003, p. 4) there are three types of research designs I have at my disposal: quantitative, qualitative or mixed methods. The research design used for this research is a qualitative research approach as defined by Cresswell (2009, p. 4) “as a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem”. The RHEST consists of several beneficiaries and groups of beneficiaries that ascribe meaning to it and thus the research approach can only be conducted by exploring and understanding the meaning the beneficiaries assign to the RHEST.

Cresswell (2009, p. 4) states that the qualitative research process “involves emerging questions and procedures, with data typically collected from the participant’s setting and data analysis inductively building from particular themes with the researcher making interpretations of the meaning of the data”. Qualitative researchers are interested in understanding the meaning people have constructed, that is, how people make sense of their world and the experiences they have in the world. (Merriam, 2009). Given these definitions, qualitative research is the most appropriate research design for this study given the framework and situation within the trust.

As stated earlier, in planning this research I also had to think about the philosophical worldview assumptions I bring with me into this study and how my chosen strategy of inquiry is related to my worldview, the conceptual framework and the methodologies employed to conduct the research. The interrelation of these entities is shown in Figure 5 on the following page.

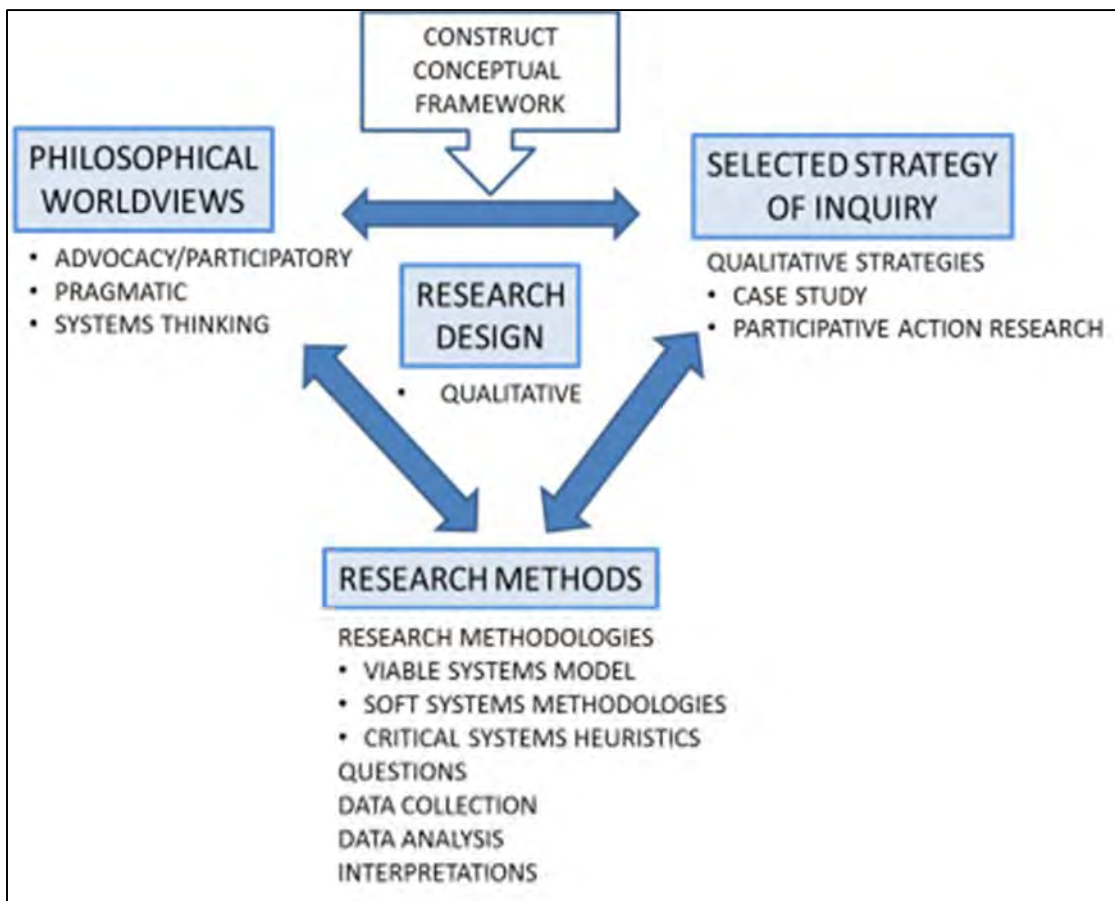


Figure 5: Planning of Research Approach (Adapted from Cresswell, 2003. p 16-20)

3.3 Philosophical worldview, strategy of enquiry and research methods

This section of the dissertation will discuss the three interrelated entities which shows how the philosophical worldview informs the selection of the strategy of enquiry and research methods selected in planning the approach to the research.

3.3.1 Philosophical worldview

Cresswell (2003, p. 6) notes that the researcher's philosophical ideas will have an influence on the practical research and this realisation needs to be recognised early on in the research. Here the term worldview is defined as a basic set of beliefs that guided my research actions.

Creswell (2009, p. 6) describes four different worldviews “advocacy or participatory, post positivism, constructivism, and pragmatism”. The major elements of each worldview are presented in the Table 2 below:

Table 2: Four Worldviews (Adapted from Creswell, 2003, pp. 19 - 26)

Four Worldviews	
Postpositivism	Constructivism
• Determination	• Understanding
• Reductionism	• Multiple participant meanings
• Empirical observation	• Social and historical construction
• Theory verification	• Theory generation
Advocacy/Participatory	Pragmatism
• Political	• Real world practical oriented
• Empowerment issues orientated	• Consequences of actions
• Collaborative	• Problem – centered
• Change orientated	• Pluralistic

Using Creswell’s description, the worldview that informs this study is a combination of both the advocacy/participatory and pragmatic worldviews. These worldviews hold that the research inquiry needs to be aware of and be intertwined with politics and the political agenda of the situation. Creswell (2003, p. 9) also notes that the research should obtain an “action agenda for reform” that can change the lives of the participant’s or the institution in which they work, this is my motivation for this research study. Specific issues that I recognised which require attention within the RHEST included the domination of beneficiaries, suppression of beneficiaries’ views and alienation between beneficiaries and company management. Cresswell (2003, p. 10) also notes that focus should be on the group that may be marginalised, but should not lose focus of other important stakeholders, this is negated by a thorough stakeholder management analysis conducted in Appendix D. Instead of wanting to purely focus on the methods, Cresswell also notes that focus should be on the research problem situation which further substantiated the use of a Soft Systems Methodology (SSM) to understand the problem situation and devise feasible interventions. SSM is one of the systems thinking methodology selected for this dissertation and is further discussed in Appendix A.

3.3.2 Using a qualitative research approach

This research aims to answer questions like what, how and why of issues pertaining to the trust rather than how much or how many which is also consistent with that of qualitative research. Patton (2002, p. 38) defines the aim of qualitative research as “an understanding of how individuals in a group perceive a particular issue” which makes it an appropriate approach for the research conducted here. Creswell (2009, p. 169) states that qualitative research aim “to understand the experiences and attitudes of the participants” in the research. SSM as a systems methodology located in the second wave as defined by Midgley (2000), compliments a qualitative research approach. Different traditions could be used to conduct qualitative studies or qualitative research. Such traditions include: ethnography, grounded theory, narrative research, participative action research or case study and phenomenological research. Table 3 below shows the comparison of the qualitative traditions.

Table 3: Qualitative Research Traditions (Creswell, 2009, p. 177)

The Qualitative Traditions					
DIMENSIONS	NARRATIVE	PHENOMENOLOGY	GROUNDED THEORY	ETHNOGRAPHY	CASE STUDY
Focus	Exploring the life of an individual	Understanding the essence of the experience about a phenomenon	Developing a theory grounded from the data in the field	Describing and interpreting a cultural or group social	Develop an in-depth analysis of a single case or multiple cases
Data collection	Primary interview and documents	Long interviews with up to 10 people	Interview with 20 – 30 individuals to “saturate” categories and detail the theory	Primarily observations and interviews with additional artefacts during extended time on the field (eg 6 months to a year)	<ul style="list-style-type: none"> Multiple sources including documents, archival records, interviews, observations Physical artefacts
Data analysis	<ul style="list-style-type: none"> Stories Epiphanies Historical comments 	<ul style="list-style-type: none"> Statements Meanings Meaning themes General description of the experience 	<ul style="list-style-type: none"> Open coding Axial coding Selective coding Conditional matrix 	Description Analysis interpretation	<ul style="list-style-type: none"> Description Themes Assertions
Narrative focus	Detailed pictures of an individual's life	Description of the “essence” of the experience	Theory of theoretical model	Description of cultural behaviour of a group or an individual	In depth study of a “case” or “cases”

Using the information shown in Table 3, the research focus area, as explained in chapter 1, involves the study of a situation involving numerous persons with complex interrelationships between stakeholders. Part of the focus of the research is an understanding of the situation to better understand these interrelationships. Such a focus is consistent with that of a case study (Farquhar, 2012). Furthermore, the research had to be defined as both time and activity bound and detailed information could readily be collected using a variety of data collection procedures

over a sustained period which is again consistent with a case study. Thus this research is consistent with that of a case study.

3.4 Selecting appropriate methods of research application

Participatory action research (PAR) is an approach to case study research that sets procedures for conducting and analysing case study research (Pain, Whitman, & Milledge, 2010, p. 2). It is particularly useful to gather information and use information that benefits the people it directly affects, which in this case are the stakeholders within the RHEST. One of the research priorities was to include minority stakeholders within the RHEST in order to get rich descriptions of the context and to contribute recommendations that are culturally feasible within the organisational context. To reach desirable solutions, and given the nature of the complex issues highlighted in the problem situation, the research situation was compatible with an action research approach as this also complements the techniques used for conducting SSM. PAR also informs areas like collaboration, knowledge, power, ethics, theory building and action taking.

3.4.1 Action research cycle

Kemmis and Carr (1986, p. 164) illustrate action research as a spiral model of self-reflective cycles shown in Figure 6 below. This representation is appealing because it gives an opportunity to visualize the process not just as a linear straightforward process.

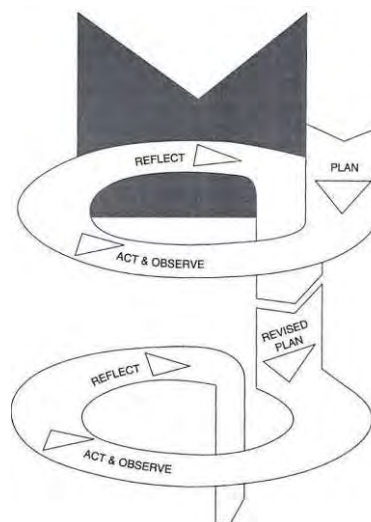


Figure 6: Action Research Cycle (Kemmis & Carr, 1986. p 164)

When applying the process it becomes more complicated and less fluid than the spiral process represented, the stages will overlap and integrate as the learning take place. O' Leary (2004)

recognizes action research as a learning process which is continually refined as it evolves. The model also shows that the process is cyclical and ongoing and can have several cycles depending on different factors. For this study the plan, act and reflect phases of action research model is used more as a guide than a rule.



Figure 7: Action Research Cycle Applied to this Research (Adapted from Deming, 1994. p 132)

3.5 Systems methodologies

One of the research aims is to find feasible and culturally desirable interventions for the problematic situation. Midgley's (2000) approach speaks directly to this aim as it seeks to identify and solve the right issues within a problematic situation, designing and applying systemic interventions is an essential focus of systems approaches in practice which is what I seek to achieve in this research study.

Building on Midgley's (2000) approach, Reynolds and Howell (2010) identifies five systems approaches that is suited specifically for managing complex issues, especially complex issues relating to organizations and problematic situations, like those identified within the RHEST.

The five approaches identified by Reynolds and Howell (2010) are:

1. System Dynamics (SD) developed originally in the late 1950s by Jay Forrester;
2. Viable Systems Model (VSM) developed originally in the late 1960s by Stafford Beer;
3. Strategic Options Development and Analysis (SODA: with cognitive mapping) developed originally in the 1970s by Colin Eden;
4. Soft Systems Methodology (SSM) developed originally in the 1970s by Peter Checkland;
5. Critical Systems Heuristics (CSH) developed originally in the late 1970s by Werner Ulrich.

The one methodology that stood out, using systems thinking as a conceptual framework, was SSM and this is further substantiated by the selection of SSM as a preferential methodology for such cases as the RHEST. SSM techniques also compliments the qualitative research and case study approach. SSM is also by far the most widely used “soft” systems approach. Checkland and Poulter (2006) defines SSM as a learning system that uses various techniques to explore perspectives and provide structure for debate amongst stakeholders to explore how to improve situations; this definition personifies the outcomes desired for this research and provides further affirmation of its appropriateness for the research.

SSM has been criticised by various reputable systems thinking practitioners for its lack of consideration and direction when dealing with some of the power and political influences stakeholders possess in complex situations (Jackson, 2003). This was of particular concern within the RHEST systems. The stakeholder analysis discussed in Appendix D revealed power and political imbalances within the system. To address this concern CSH was selected to compliment SSM in establishing the power and political dynamics of the problematic situation. CSH is used primarily at the start of the research to assist with identifying marginalised stakeholders, power distributions and expose political challenges within the RHEST. A third approach, the Viable Systems Model (VSM) is used specifically to investigate communication and information flow within the RHEST. Although it does not form part of the methodologies used to construct the 4 – step methodology process it is used within this study to investigate information pathologies and will be discussed as part of this chapter for completeness. The following sections will provide a concise discussion of the three systems approaches which are all discussed in greater detail in Appendix A.

3.5.1 Soft systems methodology

SSM is used because it presents a flexible, organised approach for dealing with problematic situations, especially where multiple stakeholders are involved (Checkland, 1999). SSM is a seven step process that can be used to identify feasible interventions. The seven step process is interchangeable and can be used as desired and needed. Table 4 below provides a brief description of how I used the process in comparison to the classic contextual use of the methodology.

Table 4: Research Application of SSM 7 Step Process

Classic SSM Content Application	Research Application
Stage 1 & 2: expression stage	
Express problematic situation	Use rich picture to depict situation Include as many perspectives as possible including stakeholder analysis and insights from CSH
Stage 3: Root Definition (RD) of system	
Use CATWOE to verbalise a root definition for the identified system	Construct two different root definitions for the RHEST using the CATWOE which was used as a basis for recommending change.
Stage 4: Building Conceptual Models (CM's)	
CM's are built directly from RD's as a set of activities used to model the idealised system defined using the RD. these are not models of the real world but concepts of desirable situation	CM's was built from the RD's constructed into three different sub systems which combined to make the system defined by the RD.
Stage 5: Comparing Models of Reality	
The CM constructed in stage 4 is compared to the real world situation and pathologies are identified as to what must be done for the real world situation to fulfil the requirements of the RD	The three separate sub systems were used to generate debate amongst the stakeholders present in workshop 3 to discuss possible changes to the real world situation. These changes were discussed as possible feasible interventions to the existing situation to make it feasible for all stakeholders
Stage 6 & 7: Implementing Feasible and Desirable Changes	
Comparisons in stage 5 will highlight several possible changes. Changes can be of three possible types: structural, procedure or attitude.	The change discussed and agreed in workshop 3 was further developed into actionable items and designated stakeholders were identified with specific roles for implementation.

SSM dictates that taking any type of action means implementing changes that are both culturally feasible and desirable. SSM also includes a further analysis 2 and 3 which deals with the softer human issues of the problematic situation. The full methodology is documented as part of Appendix A. The following section will discuss a brief case study using SSM and some insights gained from that particular case study that was transferred to this research.

3.5.1.1 Soft systems methodology case study insights

In his 2006 book entitled; *Learning for Action: A short definitive account of SSM for its use for practitioners, teachers and students*, Checkland described a case study conducted by himself and his co-author, John Poulter, involving rethinking the role of a head office function in a very prominent petroleum company (Checkland & Poulter, 2006). The study was conducted at the request of the new head of department who wanted to rethink the structuring of the department to include its role, structures and procedures and how it was all carried out. The situation was complex in that the requirements and purpose of the department was seen very differently from its various stakeholders, which is synonymous with the situation in the RHEST and makes it applicable.

Checkland and Poulter's investigation was conducted using various workshops and interviews with as many different stakeholders as possible to gain a richer understanding of the problematic situation. Each workshop had its own theme and the authors used the sessions to compile his own analysis two and three of the situation at hand. The case study shows that the authors was able to use the rich picture not only to describe his problematic situation but also to describe a root definition which enhances his claim that the methodology is very flexible in its approach. Checkland was able to use his conceptual models, which are by design not realistically applicable, to successfully help managers to change the way in which they think about the function of the department.

Using their initial models managers was able to create more detailed realistic models which was used to create and describe a new structure for the department. This application of SSM led to a new dynamic way of thinking within the department which I felt was a significant achievement and directly related to the manner in which the methodology could be applied, specifically the interactions between the stakeholders, and getting collaborative "buy in" from all major stakeholders through participation.

Checkland and Poulter (2006) also states that significant outcomes were reached due to SSM and prevented the discussion from becoming circular, which was currently the case of most of the previous meetings and discussions within the RHEST. On numerous occasions when RHEST stakeholders were brought together and discussions held, the conversation would inevitably become circular, which would lead to frustration and annoyance amongst stakeholders. Thus the lessons learned from the application of SSM within this case study significantly helped in avoiding this by using SSM to structure the investigation. Another significant observation was the manner in which the company was able to distribute all workshop sessions and documentation to all its stakeholders and how this helped in getting stakeholders to understand and significantly contribute towards the process. I applied this technique to the research study and found it useful for getting stakeholders to buy into the process and attend the upcoming workshop session.

3.5.2 Critical systems heuristics

The second methodology used, specifically to complement the apparent shortcomings of SSM, is Ulrich's Critical Systems Heuristics (CSH). Due to the strong political nuances and power relations displayed within the trust I decided early on to use a methodology that deals particularly with this type of problematic situation to highlight both boundary judgements, political and power influences within the research area. Although SSM's analysis 2 deals with this type of power influences it still needs more development and leaves a lot to be desired (Jackson, 2003). CSH is a more established approach for this type of analysis.

Ulrich developed 12 questions as part of his CSH methodology that emphasis boundary judgements. The boundary questions developed by Ulrich allow for the revelation of contrasting judgements and multiple perspectives people bring into the system about the system (Flood & Jackson, 1991). Ulrich (2003) notes that by better understanding stakeholders' differences we can better handle them more constructively.

Ulrich (2003) further states that multiple perspectives, as was evident early on within the RHEST, allows for the promotion of mutual understanding. This enables a reflective practice and also supports the uncovering of undisclosed boundary judgements. CSH thus allows for an emancipator focus towards systems designs and considerations by considering four sources of selectivity (Ulrich & Reynolds, 2010):

1. Sources of motivation – where a sense of purposefulness and principle value comes from;
2. Sources of control – where the necessary resources and power is located;
3. Sources of knowledge – where the sufficient expertise and experience is assumed to be available;
4. Sources of legitimacy – where social and legal approval is assumed to reside.

These four sources of selectivity constitute the selected reference system of the observer. Like SSM, CSH has been critiqued as a Utopian philosophy. Critics argue that those who are involved have no reason to actively pursue views of those who are not involved but also affected (Jackson, 2003). This statement captures my view of the power influences within the RHEST.

Midgley (1997) argues that the successful use of CSH depends on an existing platform for debate already existing. Although this type of platform for debate does not exist within the RHEST there have been numerous gatherings and ad hoc meetings before where stakeholders engaged with each other but this has never really materialised into any purposeful action or interventions.

Midgley (2000) further argues CSH is a debate based methodology and since topics like politics and coercion is likely to lead to a closure of debate, CSH is inadequate to deal with such sensitive topics. Irrespective of these concerns CSH does provides interpretive thinking in an emancipator direction which forms an important part of the paradigm used for this research. My reasons for applying CSH as part of the methodology framework in this research are threefold:

1. CSH helped to reveal the shortcomings of the RHEST with regards to some claims of being all inclusive with its stakeholders;
2. CSH prompted an acute understanding and cognizance that some stakeholder interest were given preference whilst others were being marginalised;
3. Insights gained using CSH were used to suggest ways in which stakeholder participation can be improved and proposed interventions can incorporate more stakeholders' views.

In its simplest form CSH uses a set of 12 questions to make explicit everyday judgements on which we rely to understand situations and to design systems for improvement. This is further discussed as part of Appendix A. CSH also supports the involvement of uninvolved stakeholders and uncovering hidden boundaries forced onto them by not – so – reflective practices which makes it highly relevant for the problematic situation within the RHEST. The following section will discuss useful insights obtained from a case study using CSH that were relevant to this research study.

3.5.2.1 Critical systems heuristics case study insight

The relevant CSH case study involves boundary critique applied to a Botswana case study which was aimed at participatory planning in rural developments involving three separate projects. Ulrich & Reynoldts (2010, p. 235) used CSH to “identify and engage all stakeholders” particularly marginalised stakeholders. They started by outlining two maps. One map for the “ought to be” and one for the “actual” to identify major boundary decisions built into the current system. In their study Ulrich & Reynoldts (2010, pp. 248-249) uses two significant steps to establish a descriptive “is” analysis. This was very useful as applied to this research.

The first step involved identifying the stakeholder groups and gathering information from all stakeholder groups to reinforce the depiction of the “actual” situation.

The second step involved eliciting information relating to concerns and problem areas in each system of interest. This involved having in depth conversation with a representative from each of the identified stakeholders.

Both steps were used in this research. These two steps were significantly useful in assisting me with identifying areas of concern and formulating an actual depiction of the situation within the trust. I also used the insights gained to generate my interview questions based loosely on the CSH questions, although not directly as per CSH, the questions were based on issues highlighted by CSH’s 12 question approach. The findings and application of the CSH 12 question approach is detailed in Appendix F.

3.5.3 Viable systems model

The third systems approach employed as part of this research study is Stafford Beer’ VSM which is derived from the fundamental principles used in cybernetics. The VSM was used specifically to investigate communication flow within the RHEST. Beer (1981) defines cybernetics as the science of effective organisations. His rationale was that if he wanted to further understand the principles behind viability in complex organisations, like those apparent in the trust, it would be useful to take a “known – to – be – viable– system” as a model. Beer’s theory and model is based on the original cybernetic laws which make it applicable to all systems and organisations. The theoretical claim of Beer’s model is as follows:

A social system is viable if, and only if, its structure fulfils a number of requirements, which the theory specifies (Clemson, 1984).

Schwaninger (2006, p. 956) notes “The exceptional strength of this claim lies in that not only necessary but sufficient structural preconditions for the viability of a social system are established; according to the theory of the VSM”

No other systems theory makes a claim as compelling as this one by Beer’s VSM. The steps and subsystems of the VSM are documented in detail in Appendix A.

The VSM is used in this research as a tool to investigate one of the claims made by beneficiaries that information flow within the trust is poorly structured and almost non – existent. In order to investigate this claim I used the VSM to investigate the information flow structures within the trust for viability. In order to understand the information flow using the VSM, a specific similar case study was reviewed and guiding principles extracted from this study to guide me in my application.

3.5.3.1 Viable system model case study insights

One of the concerns recognised as a driving concern, as part of the research analysis conducted and documented in the next chapter, revealed that the flow of information within the trust system was severely strained and mostly non – existent. It was clear from the discussion and interacting with the beneficiaries that communication and information flow within the RHEST is a real concern that needed to be investigated and addressed. Preece (2010, p. 2) captured this when he stated that “whilst there is a multitude of factors that contribute to systems viability, information can be viewed as the lifeblood of any organisation” as part of his thesis, Preece (2010) uses the VSM to investigate communication flow within an organisation.

To investigate the concern of information flow and its effect on the trust, Preece’s case study was used as guidance as it uses the VSM as a tool to not only understand the information flow but also further contributes to literature by looking at the role specific information plays in the system.

In his doctoral thesis entitled, Information Management for Viable Organisations, Gary Preece (2010) develops a framework that can be used to help organisations design more effective information systems through the use of the VSM. Preece (2010) acknowledges the shortcomings of the VSM in investigating information inadequacies in a system and his thesis concentrates on overcoming these shortcomings by investigating how the model deals with information flow channels within the organisation. Preece uses a simplified VSM diagram to identify information channels within the system in order to understand how information sharing occurs within the VSM. The information channels he identifies within the VSM are shown in Figure 8 below:

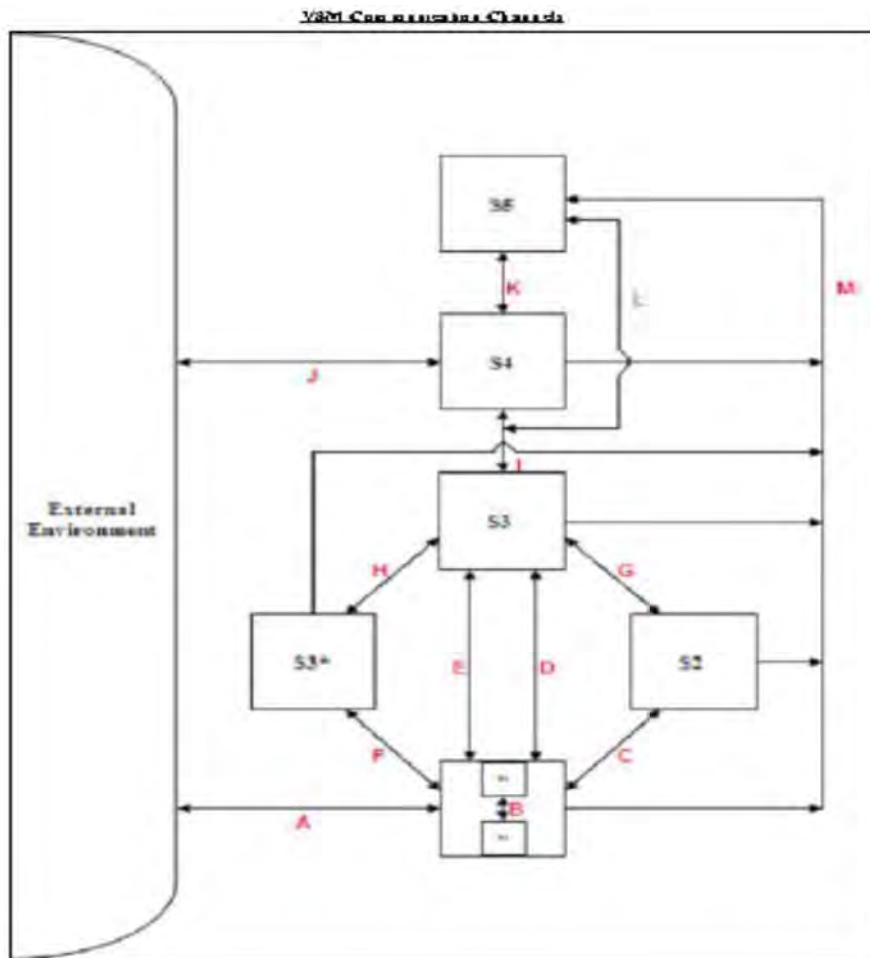


Figure 8: Modified VSM for Investigation into Information Flow within the RHEST (Preece, 2010. p 227)

Preece investigated 3 project teams and how information sharing within the project teams affected their viability at different recursion levels. Using a simplified version of Beer’s model he shows the VSM information channels and uses the revised model to identify pathologies in the information flow between the model and the project teams and also between the teams themselves. These shortcomings showed how the revised model is more effective in identifying several information flow deficiencies. Furthermore, Preece extended onto this by recognising

several additional information channels which he shows to be necessary for viability. This is shown in the Figure 9 below:

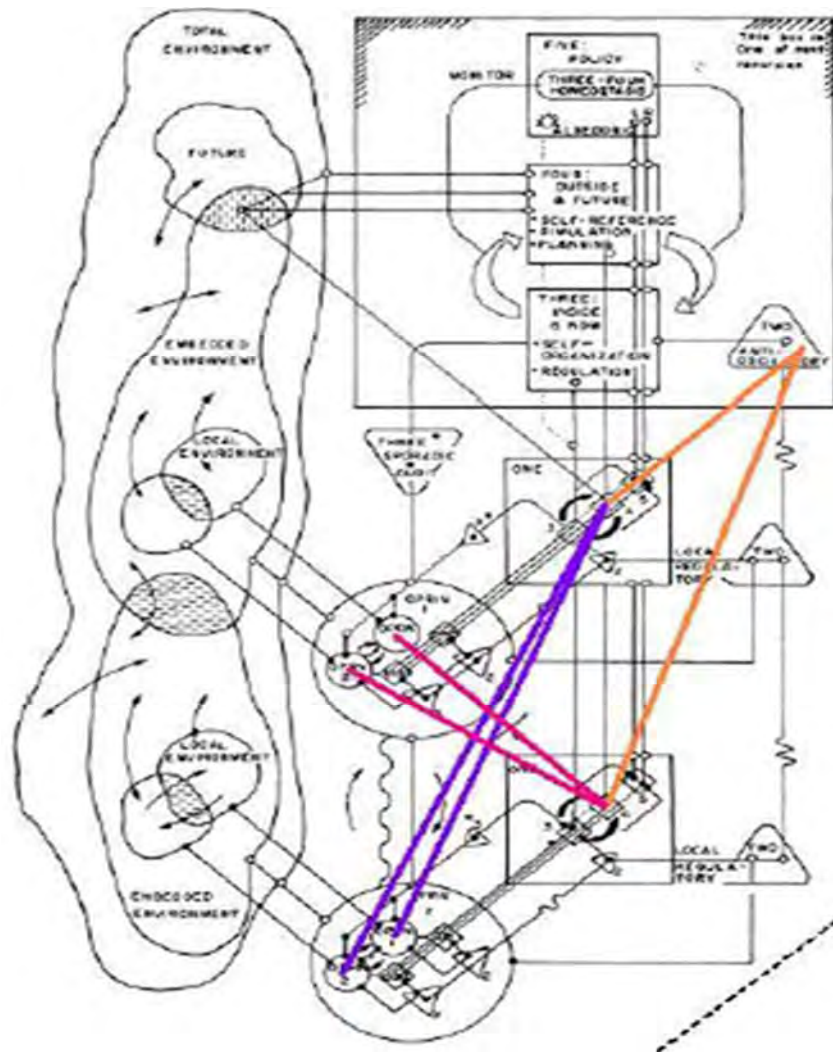


Figure 9: Modified VSM Showing Additional Information Channels (Preece, 2010. p 263)

Using Preece’s insights gained into how the VSM can be used for investigating information channels within a system for viability and given the participative nature of the use of the VSM, I found his insights gained very useful and highly applicable to the research at hand. My research will not be investigating information flows at different levels of recursion but only at one level of the RHEST. The VSM investigation into the communication and information flows of the RHEST is documented in Appendix G and the findings and pathologies identified were used to generate conversation as part of workshop 3. The custom designed 4 – step research methodology that integrates the strategy of enquiry and selected systems methodology approaches discussed are outlined below in the following section.

3.6 4 – Step research design

3.6.1 Step 1 – Understand the problem situation and define the boundaries of the system

The aim of the first step of the methodology applied to the research was to understand as much of the problem situation as possible and to define a system boundary. As discussed in the literature review, the idea of boundary setting is integral to determine how the system is to be defined for improvement and action taking later (Jackson, 2003).

To understand the system and draw system boundaries I used aspects of both Checkland's SSM and Ulrich's CSH.

In order to negate preconceptions and judgements of the systems, Ulrich (2010) suggests making use of the boundary questions developed as part of CSH, which reveals boundary judgements. CSH is designed specifically to interrogate boundary judgements and to allow for realisations that would otherwise be hidden. Using CSH offered an inclusive systems approach that benefited the incorporation of values of all stakeholders. It also offered a means to highlight that different boundary setting had a big impact on the system definition and the amount of stakeholders that should be included.

The first step of the four step methodology involved asking the boundary judgement questions and using the answers to identify judgements and marginalised stakeholders. This process is documented in Appendix F. The system is then depicted using a rich picture to show the problematic situation which concluded the first step of the methodology.

3.6.2 Step 2 – Identify the right problems within the system

Midgley (2000) emphasizes the need to identify the right problems within the system in order to make systemic interventions that are sustainable.

The second step in the methodology was based around this assertion from Midgley and seeks to identify the **RIGHT** issues and problem within the RHEST. In his 1981 book titled, Brain of the Firm, Stafford Beer remarked that the purpose of the system is what it does. This statement reminds

me that the different stakeholders attach different purposes to the system, which makes it significantly difficult to identify the **RIGHT** issues within the system. The different purposes assigned to the system from different stakeholders were all related to their “individual reference system” (Ulrich W. , 2003, p. 333).

The RHEST has numerous stakeholders with varying perceptions of system purpose, thus the second step was to identify the following:

1. What the stakeholders think is driving issues within the trust?
2. What results does the data analysis reveals of the driving issues within the trust?
3. What is the relation between the two?
4. Can the stakeholders identify with the driving issues identified using the data analysis?

The first question relates directly to the first step of the methodology and is completed as part of the problem identification process. Using the data collected as part of the research, shown in Appendix C & H, this second step seeks to identify several driving issues using the data analysis process and those issues identified as part of sketching the problematic situation. Once this process was complete the data was presented to the stakeholders to add further insights and also to ensure stakeholders acknowledge the issues identified. To cultivate a more holistic awareness of the problem situation and the wide ranging issues within the trust it was critical that stakeholders related to the identified issues. One particular issue identified, the lack of communication and information flow, required an in depth analysis using the VSM as a diagnostic tool.

This second step makes use of specifically step 3 – 5 of SSM and the data analysis tools to identify the right underlying driving issues with the RHEST system.

3.6.3 Step 3 – Identify systemically feasible solutions

The third step of the methodology was aimed at finding what Checkland and Poulter (2010, p. 195) refers to as “culturally feasible and systemically desirable solutions” to the issues identified in step 2. This was done by understanding what culturally feasible means with regards to the system and what can be considered as systemically feasible through an understanding of the issues in the system and its stakeholders. This was done by using SSM’s conceptual models and comparing these models with the real system within the RHEST and using this as a basis for

starting the discussion with the stakeholders. Discussion with stakeholders is integral for testing the feasibility of proposed interventions (Checkland P. , 1999).

3.6.4 Step 4 – Implement solutions and monitor for deviations

The fourth and final step of the methodology was to suggest the implementation of feasible solutions to the required stakeholders for implementation. Although not always possible, the desired outcome of such suggestions is not merely an acceptable implementation but rather to create an conversation which could result in an open honest discussion about system issues, which in itself is a positive result for the RHEST given the marginalised stakeholders identified using CSH (Checkland & Poulter, 2006).

The next section of this dissertation will describe the data collection techniques used in this research.

3.7 Data collection and analysis

Data collection primarily took the form of three workshop sessions and several semi-structured interviews used at different times in the study. These workshop sessions formed an integral part of the action research approach. The data analysis included observations made during the three workshops using the analyses described in the methodologies.

Data was also collected by reviewing several trust documents. These documents included two memorandums of concerns send through from the beneficiaries to the trustees as documented in Appendix H. In order to protect the identities of participants and retain confidentiality, pseudonyms were used in transcripts and reporting of interviews which also formed part of the ethical considerations of the research. The data collection techniques are discussed below.

3.7.1 Interviews

Interviews were a very prominent method for data collection and form another integral part of the research. Interviews were conducted with six different prominent individuals within the trust structured. The interviews were conducted with a strategy of open inquiry and the philosophy was to extract as much information and knowledge from participants as possible. This was done

through deliberate open question type interviews to build a richer perspective of stakeholder views of the problem situation and issues within the RHEST.

Six candidates were interviewed as part of the data collection process. Where permissions were granted by the interviewee, the interview transcripts were analysed and are documented in Appendix E.

Table 5: Interview Data Collection

Position of Interviewee	Type of Interview	Additional Comment
Trust chairman(male)	Conversational interview, open questions strategy	Interviewee granted permission for interview to be included in analysis but not to be recorded in the document
Company elected trustee(male)	Conversational interview, open questions strategy	Interviewee granted permission for interview to be included in analysis and recorded in document
Beneficiary elected trustee no 1 (male)	Conversational interview, open questions strategy	Interviewee granted permission for interview to be included in analysis and recorded in document
Beneficiary elected trustee no 2 (male)	Conversational interview, open questions strategy	Interviewee granted permission for interview to be included in analysis but not to be recorded in the document
Senior beneficiary (male)	Conversational interview, open questions strategy	Interviewee granted permission for interview to be included in analysis but not to be recorded in the document
Senior beneficiary (female)	Conversational interview, open questions strategy	Interviewee granted permission for interview to be included in analysis and recorded in document

3.7.2 Documents

As the Trust Secretary, I was in a unique position to have access to documents and minutes of previous trust meetings. Using the various documents including previous trustee meeting minutes I was able to construct a fairly holistic rich picture of the situation and recognise issues which were repeatedly highlighted as areas of concern. The additional documents used as part of the data collection process are shown in Appendix H.

3.7.3 Workshops

Data was primarily collected using three workshop sessions with attending stakeholders. This data included attitudes and perceptions of those participating. It also gave me a unique opportunity to observe the power relations between beneficiaries and also between beneficiaries and trustees. Data collected during workshops were notated only where participants were willing to be recorded. Notations were analysed as part of the coding process shown in Appendix C.

3.7.4 Conversational interviews

Data collection was also done through conversational interviews held with beneficiaries. Due to the nature of the situation and the constraints imposed by the outside environments, informal conversations were a very useful and valuable data collection technique. Furthermore, most beneficiaries felt more comfortable when approached using this technique. To adhere to research ethical requirements I recognised that such conversations could easily be exploited. To negate these conflicts beneficiaries were made aware of any information used in the research that was obtained outside recognised workshop or interview sessions.

3.7.5 Qualitative data analysis

According to Corbin and Strauss (1998, p. 11) “qualitative data research means any type of research that produces findings not arrived at using statistical procedures or other means of quantification”. Fundamental to qualitative research is whether the participant’s views have been accurately represented and the conclusions drawn from the information gathered is accurate and that this is directly linked to a credible data analysis process (Corbin & Strauss, 1998).

This research uses a coding procedure to reduce information into themes or categories as outlined by Saldana (2013). This method is especially useful when analysing interview transcripts. The coding is used to extract insights and grouping patterns out of the raw data collected to establish themes for a more consolidated picture.

The data is reduced to a coding phrase or word that “summarizes and not simply reduces” the data provided (Saldana, 2013, p. 8). Due to the large data sets several of the codes are used repeatedly throughout. This is done very deliberately to allow easier grouping for encoding purposes and extracting insights from the raw data.

The coding process followed the following five steps:

1. Read through the noted material and make notes as they come to mind when reading the transcript, including interviews and workshop data;
2. Selecting each document individually, ask yourself what this is about, do not just consider the substance of the information but rather what it’s underlying meaning is. Write down any thoughts in the margin;
3. Group the raw data into three groups – raw data, initial coding from the first two steps and then final coding established from clumping codes into themes;
4. Assemble data material belonging to each theme in one place and do a preliminary interpretation analysis;
5. Start on interpreting the existing data and recording the research findings.

Interpretations are not found in the data but are made throughout the qualitative research process based on what I deduced from the data. Sense making is through observed behaviour of participant’s during data collection and building understanding of the themes through the coding process.

The following section will look at how all the entities discussed above was combined to form a combined research approach.

3.8 Combining the research elements

By combining the research elements, as depicted by the action research cycle for research and learning, combined with the systems methodology outlined as part of this chapter, the research

thought process is shown in Figure 10 which embodies all the elements of the research process. The research question forms the centre of the research and defines the starting point for the research with other elements interacting to find answers to this question. The workings of Figure 10 are explained in a clockwise manner below:



Figure 10: Depiction of Combination of Research Elements

The starting point is the description of the problem situation which was done to an extent in the first chapter by explaining the situation within the RHEST. Importantly to note is that the wording specifically relates to Checkland’s (1999) expression of the “problem situation” and not necessarily the “problem”. This is done with the intention of highlighting the complexities inherent with a problematic situation where human activities are present. A more informed perspective of the problematic situation is described as part of step one of the SSM, specifically using a rich picture as a tool to further illuminate the problem situation.

This leads to and also forms part of the 4 - step methodology, informed by the conceptual framework, which was specifically selected for this research and integrates the different methodologies to design a hypothesis for “desirable and culturally feasible” interventions. The

next two steps indicated are shown in plain text and not bold. This is done afterwards to highlight the fact that although a hypothesis was formed, in the form of desirable changes, it was shown to be impossible to implement or evaluate due to various outstanding decisions from one of the stakeholders within the RHEST.

The final element is the reflection on learning done throughout the process. These reflections lead to significant lessons learned which will inevitably lead to different perspectives and approaches towards the problem situation. Ideally this process should then start again with additional insights gained; which will then hopefully lead to better understanding and a better approach towards the problem situation and further refinement of the processes to follow as part of a further research cycle and project.

Importantly the outer section of Figure 10 shows the four elements of the action research approach. The idea is to show how this process was continually ongoing as the other processes took place simultaneously.

The process of observe – plan – act – reflect was followed as part of a sub – process for conducting the workshop which was initially designed as part of the observation process for the research. This sub process took place at what can best be described as a sub system level during the workshop.

The following section gives a brief discussion on some of the ethical considerations and credibility of data reviewed in this dissertation.

3.9 Ethics and credibility

Ethical considerations are raised in the sections above when describing the procedures for the collection and analysis of data. Different ethical frameworks (such as utilitarianism and deontological ethics) were drawn up in establishing a research approach that included: informed consent, avoidance of harm and care for the participants of the study. My conduct as a researcher and participant was guided by principles of honesty; fairness; avoidance of doing wrong and questioning of bias. The issues of biased approach was especially highlighted using CSH. The notion of researcher reflexivity is one that also has importance for credibility of research procedures and findings.

Credibility is used in this dissertation in the place of the conventional term of validity. The techniques for establishing credibility in this dissertation include: triangulation; looking for disconfirming evidence; researcher reflexivity; checking with members of participants; prolonged engagement in the field; collaboration; evidence as an audit trail as shown in the various Appendices, thick and rich description, and peer debriefing (Cresswell & Miller, 2000).

The following chapter discusses the research application and the results obtained from the methodology application. This includes the collection and interpretation of the data collected during the interviews, workshops and various document analyses.

Research application and results

The problematic situation identified for this research study concerns an international organisation's company trust. This chapter describes the results obtained from the application of the systems approaches (described in the previous chapter, and documented in detail in Appendix A) used to collect, analyse and interpret the data during the various interviews and workshops sessions. The data collection, procession and analysis aimed to develop an answer to the research question:

What interventions can be introduced into the RHEST to make the system more feasible for the stakeholders?

4.1 Research participants

The focus group for this study was the Cape Town based stakeholders of the RHEST. This included the beneficiaries, one company trustee, one beneficiary elected trustee and the trust chairman. The Cape Town beneficiaries are the second largest concentration of beneficiaries in the country as shown in the Figure 11 below:

Cape Town	59
George	3
East London	4
Vredenburg	2
Port Elizabeth	10
Bloemfontein	5
Durban	29
Kimberley	4
Newcastle	5
Pietermaritzburg	5
Vryheid	4
Secunda	12
Pretoria	72
Polokwane	4
Site(other)	7

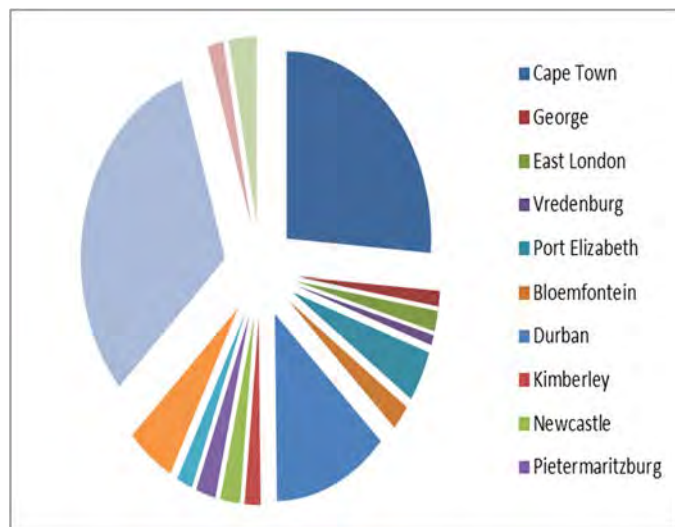


Figure 11: Beneficiary Distribution within the RHEST

The stakeholders available in this office consisted of 59 RHEST beneficiaries, one senior executive company trustee and one beneficiary elected trustee. The chairman of the RHEST is also situated in Cape Town. The number of Cape Town beneficiaries who attended the workshops is shown below in Figure 12.

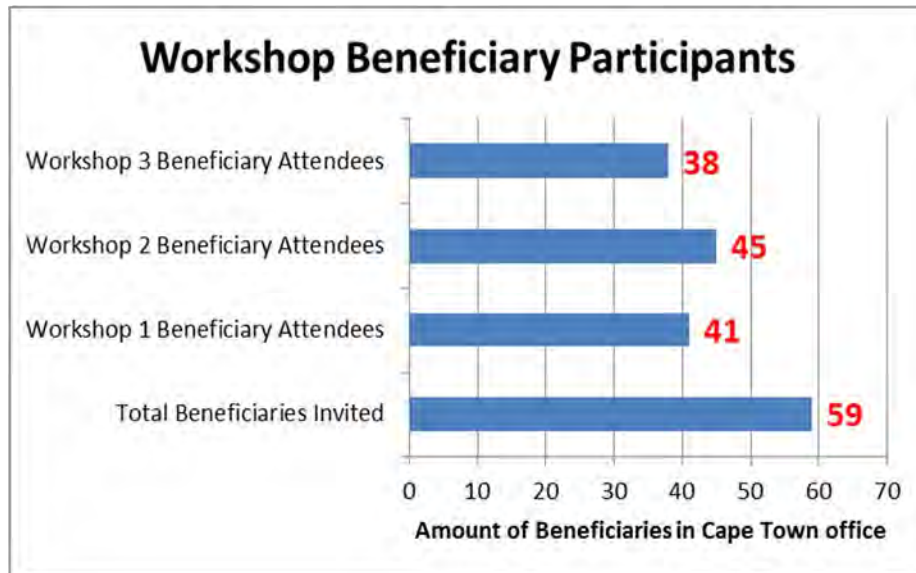


Figure 12: Graph Depicting Workshop Participants

The highest number of complaint emails and issues raised within the trust has originated from the Cape Town based beneficiaries. Due to the highest concentration of number of senior beneficiaries in the Cape Town office, many of the smaller offices often seek advice on trust matters and how to raise concerns within trust structures from the Cape Town based beneficiaries. The beneficiaries in this office are widely regarded by other offices as the most informed and involved within the trust, coupled with all the other aspects noted above, the Cape Town office was a justified focus group for the intended purpose of the study.

4.2 Preliminary investigation stages

The preliminary investigation stages of the research was conducted in two steps. The first was to utilise CSH as a tool to critique my own boundary judgements about the problem situation which resulted in the stakeholder analysis. It became very clear early on that I would need to complete a comprehensive stakeholder analysis to gain a better understanding of the stakeholders and their views.

4.2.1 Stakeholder analysis

The stakeholder analysis revealed several valuable insights at the start of the research process. It also determined my approach to the different beneficiaries and how I manage each stakeholder through the research process. The stakeholder analysis is documented in Appendix D and shown on the following page:

Table 6: Stakeholder Analysis

Stakeholder	Stake involved	Potential impact	What does the stakeholder expect	Perceived attitudes and/or risks	Stakeholder Management Strategy
RHEST Beneficiaries	Primary members of the RHEST. Primary beneficiaries of the trust and major stakeholder of the RHEST	Supportive stakeholder and threatening stakeholder	Maximum financial value adding. Using the trust as a vehicle to enhance PDI's opportunities within the company	Very unhappy with how the trust is currently managed and how beneficiaries are "marginalised". Threatening to disband the trust and run a smear campaign of "fronting"	Involve as much as possible especially in the detailed managing of the trust. Strategies to encourage trust must be fast tracked. Regular meeting and feedback sessions must become a priority. Issues presented from these stakeholders must receive due attention. Hold regular consultative sessions to update and seek support.
RHEST Trustees	Responsible for ensuring maximum value adding from RHEST for both beneficiaries and	Supportive stakeholder	Indecisive stakeholder with varying expectations	Trustees feel they are doing the "best possible job" and are fully willing to co-operate with	Must be approached with a supportive attitude and

	WPRSA. Responsible for the running of the day to day activities in the RHEST			beneficiaries to resolve issues within the trust.	not the current “us versus them” attitude.
WPRSA Board of Directors	Custodians of the trust structures. Responsible for making majority decisions regarding trust structures and how financial dividends are shared amongst beneficiaries	Supportive stakeholder	To be able to use the RHEST to maximise exposure for accumulation of BBBEE points on government’s scorecard to maximise the company’s BBBEE score and thus maximise its ability to score lucrative contracts	Concerned only with the best interest of the company and maximising profits.	This is a very powerful stakeholder and is very difficult to manage from a position of inferiority. The advantage is that this stakeholder is very supportive of the trusts’ existence and is heavily reliant on the trust to uphold its BBBEE accreditation
WPRSA Senior Management	Managers of beneficiaries within company structures. Responsible for day to day operations within the company.	Supportive and marginal stakeholder	To be kept informed of happenings within the trust that could affect daily operations within profit centres.	Not concerned with any other issues as long as they are being “kept into the loop”	This stakeholder requires very little to be satisfied. Monthly information sessions and ad hoc information sessions as required.

WPRSA Shareholders	70% Shareholders in the company which along with the trust makes up 100% shareholding within WPRSA	Supportive and marginal stakeholder	To maximise BBBEE scoring opportunities using the Trust to gain maximum points for lucrative contracts. To ensure the payment of preferential shares on a quarterly basis	Concerned only with the best interest of the company and maximising profits.	This stakeholder should be kept information with requisite information as required.
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One of the crucial insights gained from the analysis was the need for a specific stakeholder management plan to better understand the roles of stakeholders within the RHEST given the complexity of the stakeholder involvement within the RHEST. The stakeholder analysis also gave me a better understanding of the different beneficiaries and marginalised stakeholders which were particularly important at the start of the research and in understanding the focus group of the study.

I also conducted a full CSH analysis to reveal any boundary judgements and to highlight further insights at the start of the research process. The full CSH analysis is documented in Appendix F. The following valuable insights were gained from the CSH analysis.

4.2.2 Insights gained from CSH analysis

From the ensuing conversation between the beneficiaries present at the workshop the sources of motivation revealed the different perspective and stakeholder objectives within the system. Significantly the current purpose and the intended purpose of the trust are very similar to what (only) one stakeholder (company trustee) described the system as. This further cemented the powerful position held by this stakeholder. The questions revealed the misalignment of perceived system purpose from two major stakeholders which further promoted and confirmed the complexity of the problem situation. From the interview held with different stakeholders the misalignment of systems purpose became even more apparent.

From the conversation held at the workshops it became apparent from some of the founding beneficiaries that the system was initiated with good intentions but one of the conditions imposed onto it, namely the scoring system, has somewhat disabled this good intention and is one of the major factors for disgruntled beneficiaries. This fact makes transparent the power basis in the system in that the only stakeholder able to cause or indeed allow intervention in this system is the company Board of Directors and their view on the RHEST was made very clear during the interviews granted and documented in Appendix E.

One of the factors requiring independence from the decision makers (Board of Directors) is the knowledge or expertise to deal with the trust system. This is present in the system in the form of the trust chairman. However as the VSM analysis showed, although the trust chairman has vast experience in setting up trust structures and trust deeds for other company's he has very little experience at running trusts at chairman level. Although the chairman has sufficient exposure to

the Board of Directors (who also appears as the trustees) he has no influence or sufficient power to make interventions at the Board of Trustee level. His role is that of advisory only, specifically relating to the trust deed, and this provides a false source of guarantor. Furthermore the role of the trustees, as deduced from the interviews and revealed by CSH, is very limited in their decision making rights.

The questions regarding the sources of legitimisation had a profound effect on the beneficiaries present at the workshop. Many of the beneficiaries remarked that they can better relate to the view held by the company directors in “protecting the unrepresented” stakeholders in the trust. Many of them did not even consider the “silent” stakeholders like external shareholders and company office managers who is also affected by issues within the trust and how these issues are resolved. They also became “more understandable” as to why the company trustees make some of the decision they make but also remarked that they are still not fully in agreement with some of the structures within the trust. Most beneficiaries also became acutely aware of the greater role that trustees should and could play within the trust.

4.3 Data gathering

Using Participative Action Research (PAR), data was gathered primarily using two techniques: workshops and interview data.

4.3.1 Interview data

The interviews was carried out by myself and transcribed in Appendix E. I interviewed six prominent personnel in the RHEST. Not everyone interviewed was willing to grant permission to include their interview as part of the transcripts and could thus not be included as part of the data analysis. Only four of the six interviews conducted could be used as part of the data analysis. The interview data was particularly useful in understanding the problematic situation. The interview transcripts and the workshop field notes compiled in workshop 1, were coded to identify themes within the problem area. The coding process is shown in Appendix C. In order to achieve feasible and culturally acceptable solutions it was important for the stakeholders participating in the workshop to identify and relate to the problematic themes that emerged from the analysis so as to recognise root causes rather than symptoms. The problematic themes that emerged in the coding process and presented to the stakeholders at workshop 2 were:

1. Inequalities of the scoring system;
2. Poor communication and information flow channels within the trust;
3. Lack of trust in the board of trustees and structures within the trust;
4. Perceived exploitation of beneficiaries using the BBBEE scorecard for the benefit of the company;
5. High expectations from beneficiaries;
6. Concentration of power within the trust;
7. Differences between the company scoring systems and government's legislative framework;
8. Poor management of trust structures.

The following section discusses the participatory workshop sessions and the non-participatory analysis completed between workshops. The workshop transcripts are documented in Appendix B.

4.3.2 Workshop 1 – Participative analysis

The first workshop was used as an opportunity to introduce attendees to the research study. This included the explaining, the purpose of the study and the SSM process used as part of the research. All 59 beneficiaries from the Cape Town offices were invited to attend using emailed correspondence. Additionally, one company trustee and one beneficiary trustee, who are situated in the Cape Town office, and the trust chairman were also invited to attend the workshops. None of the trustees was able to attend. 55 Beneficiaries indicated they would be attending the first workshop; the attendance register was signed by 41 attendees and is documented in Appendix H.

Unfortunately due to time and work constraints not all of the beneficiaries could attend the session. Also significantly, none of the company directors or trustees could attend the meeting either. Initially this was thought of a substantial loss but later beneficiaries revealed that they could discuss issues more openly given that some beneficiaries had reservations discussing such issues with trustees present. The chairman of the trust could not attend either.

The objectives of the workshop were to achieve the following outcomes:

1. Introduce the beneficiaries to the research study and the 7 steps of SSM;
2. Get a better understanding of the problematic situation using the rich picture I developed;
3. Collect data to identify the driving issues within the RHEST.

In preparation for the workshop 1, I prepared a short presentation on SSM and how it is useful for finding feasible solutions for problematic situations like that being experienced in the RHEST. Part of the presentation included a short case study presented earlier in this paper. I also compiled a preliminary rich picture to facilitate the understanding behind the use of such a rich picture for explaining the situation. Although I was the initiator of the workshop, I used one of the more popular senior beneficiaries to act as facilitator during the first workshop session. I explained the entire procedure to him before the workshop and explained what the desired outcomes were for the workshop. This action allowed me to observe the participants more freely and to make field notes during the interactions which were invaluable.

After presentation of the SSM, beneficiaries were encouraged to discuss the problematic situation within the RHEST freely. The discussion evolved around the initial rich picture I compiled and how it could be further enriched to depict the problematic situation. My sources for the initial rich picture were:

1. Issues raised through emails send by beneficiaries to me as trust secretary;
2. Issues raised in memorandum's to the trust secretary (see Appendix H);
3. Issues raised in meeting and AGM's;
4. Issues raised in trustee meetings;
5. Various issues raised as part of memorandums send to trustees from beneficiaries;
6. Various individual emails send to me as trust secretary highlighting issues beneficiaries wanted resolved;
7. Conversations held with various stakeholders including trustees, beneficiaries, company directors and various operational managers.

After various inputs from participants the final rich picture was decided by all the participant's as shown in Figure 13 below.

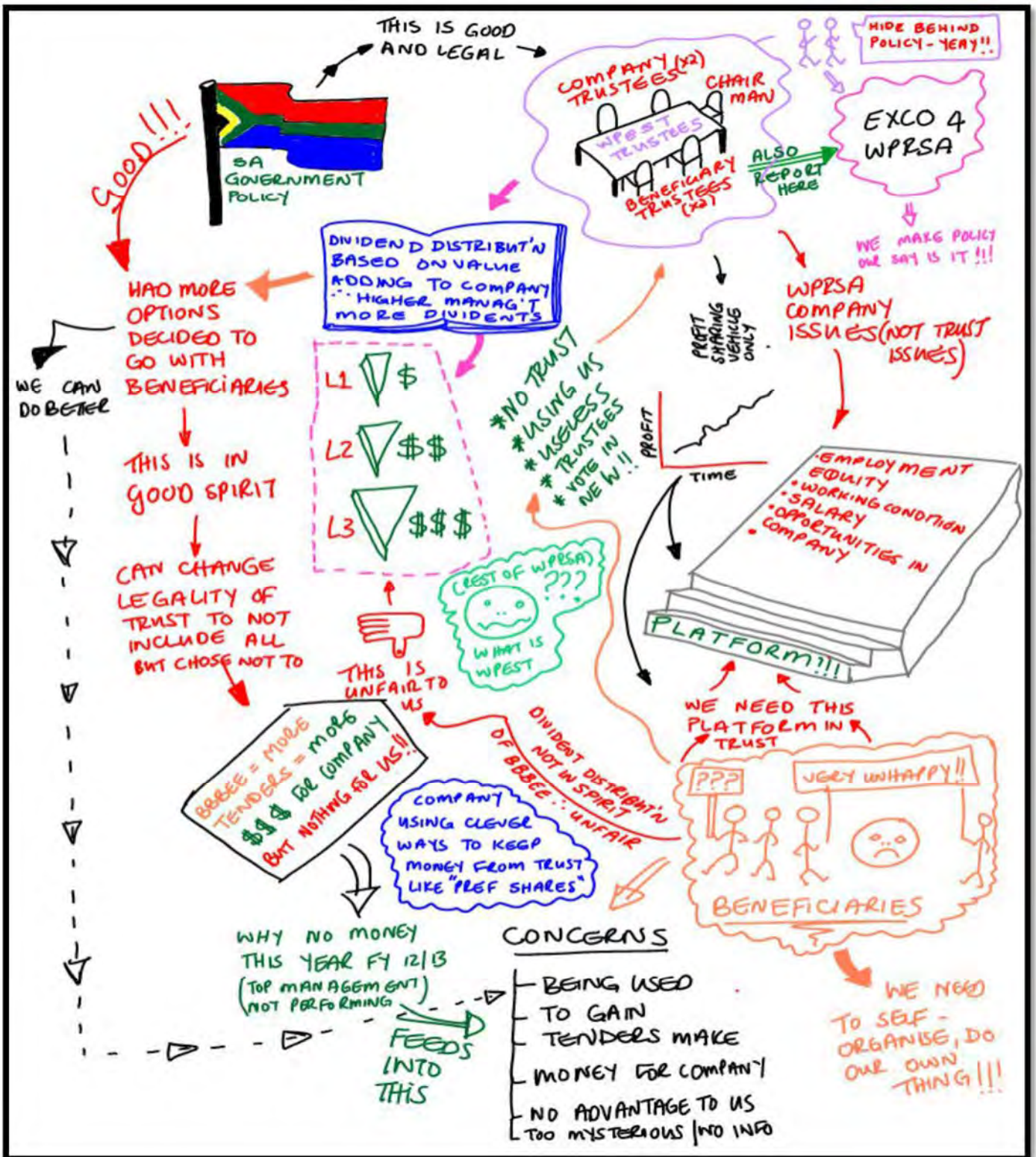


Figure 13: Beneficiary Participatory Rich Diagram of Problematic Situation within the RHEST

During the discussion of the rich picture various issues were repeatedly highlighted in different conversations. The discussions were also very heated at times with some members openly showing disgust at how the RHEST is being currently managed. The conversation provided a platform for me to better understand the situation from the perspective of the various

beneficiaries present. This rich conversation was used to recognise several recurring problematic issues identified within the trust. The following selected quotes from the participants highlight the issues within the trust:

1. Poor beneficiaries are being marginalised by the scoring system;
2. There is no equality within the trust (referring to the scoring system);
3. They (the trustees) never tell us anything;
4. How the secretary was appointed and elected, why didn't we know about this?
5. How are decisions made within the trust?
6. I do not even know who the chairman is;
7. How can we have a white chairman of a black trust?
8. This chairman "thing" is too vague;
9. The trustees only make decisions that benefit the company;
10. This trust is only used to exploit blacks to win tenders;
11. We will never see any money out because no one even understands how the preferential share works;
12. Is this trust even legal?
13. There is no advantage to blacks;
14. We must boycott this trust;
15. Is there not a policy about the trust?
16. The trustees are useless;
17. The scoring system is undemocratic and unrealistic;
18. The rest of the company doesn't even know about the trust;
19. How can EXCO control our trust?
20. The rich are enriching themselves further;
21. There is no transparency;
22. The trustees are irresponsible and hide behind company policy;

These comments from beneficiaries show the extent of the issues within the RHEST. As part of the data collection process all the issues raised during the workshop were combined with the interview transcripts to form part of the raw data for analysis (see Appendix C) and used for establishing the driving problematic themes within the RHEST. Once the beneficiaries felt the problematic situation was adequately captured and understood in the rich picture the workshop was concluded. The second objective of the workshop was to determine the stakeholders' perspective on the purpose of the system. Given that only beneficiaries were present, their views

were very much aligned from a specific point of view. I posed the question on what was the system purpose and received the following beneficiary responses.

Beneficiary 1: ' My feeling is that the purpose of the current system is to serve the company in withholding funds from beneficiaries, especially with this preferable share mechanism, but still benefit from the legislation.... I think the purpose of the system should be to financially uplift needy beneficiaries instead of what is going on now.'

Beneficiary 2: '...the purpose of the system should be to help us with sharing company profits and financially empowering blacks who need it....I think currently the purpose of the system is to help the rich get richer if any money is paid out at all.'

Beneficiary 3: ' the current purpose is to help the company score more BBBEE points....the purpose should be to uplift previously disadvantaged individuals by sharing profits with everyone equally, or even more so advantage poorer beneficiaries more than others.'

The attendees could not find a consensus on the current purpose of system but decided that the following purpose was probably the most accurately described:

4.3.2.1 Current purpose of the RHEST system

The current purpose of the RHEST is to assist the company in maximising their BBBEE score and act as an attraction tool for black professionals to join the company.

Beneficiaries present argued that the current purpose of the trust was not congruent with government's objectives and that the company is manipulating the trust to maximise their own advantage but "does not care" about especially the poorer beneficiaries and the atrocities they had to endure under apartheid. After some discussion the attendees were able to find consensus on what they thought the agreed purpose of the trust should actually be:

4.3.2.2 Proposed purpose of the RHEST system

The purpose of the RHEST should be to fairly distribute dividends and financially empower especially the poorer beneficiaries.

In an interview conducted with one of the senior directors, documented in Appendix E, who is also a company appointed trustee, he revealed that the company Board of Directors has three objectives for the trust.

1. To maximise the company's BBBEE scoring so as to assist the company in winning bigger tenders, making more profits and thus profiting both the company and the trust;
2. To act as a tool for retaining and attracting the top talented black professionals in the industry, this third objective also directly relates to the value adding principle enshrined within the current scoring system;
3. To financially empower and uplift previously disadvantaged individuals within the company.

Significantly this is also the order in which the company viewed the purpose of the trust. Thus it became evident early on in the research that major stakeholders did not have an alignment of system purpose. This was a significant insight into the paradigm of the different stakeholders and would later guide me in establishing culturally feasible interventions.

4.3.3 Workshop 1 – Non - participative analysis

As part of the first workshop I also captured an initial SSM analysis 1 and analysis 2 of the situation using the SSM techniques (see Appendix A). The analysis for this is part of the non-participative process of the research and is shown and discussed below:

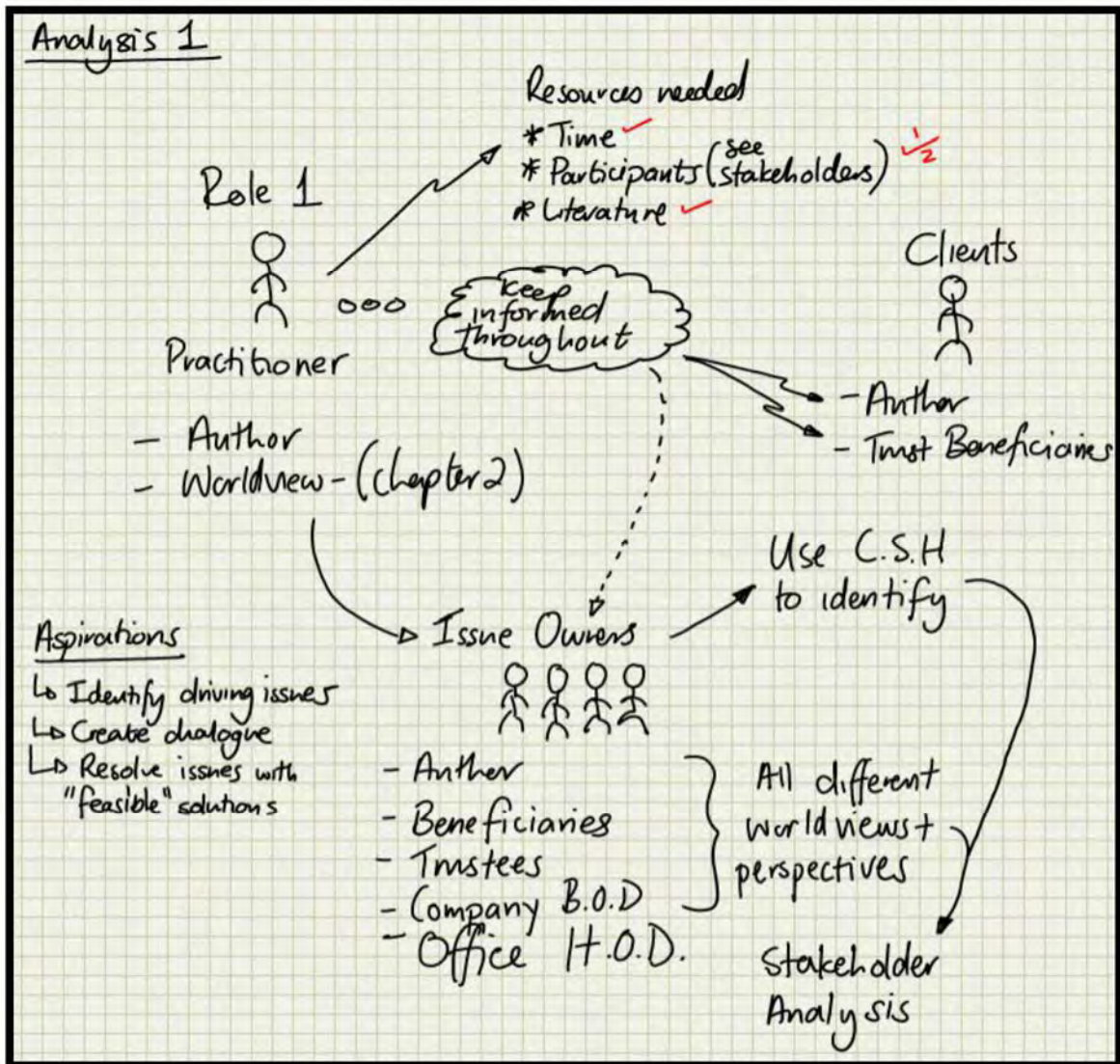


Figure 14: SSM Analysis 1 of Data Collected During Workshop 1

Using workshop 1 as an observation platform, the power distribution within the system was evaluated in the manner beneficiaries interacted and the perceptions they assigned to various stakeholders of the trust, especially using the system purpose conversation as a basis. The power distribution within the trust is perceived by the beneficiaries to be divided between mainly three stakeholders: the “beneficiaries” themselves, the “trustees” and the “company”. Each group have a distinct position in the power hierarchy of the trust. The three groups are analysed as part of the research using Checkland’s methods.

4.3.3.1 Group 1 - company Board of Directors analysis

The Board of Directors obtains its power through the fact that they are assigned by the company and shareholders. In terms of the trust the Board of Directors is the only authority who can change

or alter the trust deed. The trust deed is the document by which the trust is governed and managed by the trustees. It is the most important document in the trust and by virtue of its authority it gives the Board of Directors a very powerful political position within the trust. The only manner in which some of this power can be passed along to either the trustees or the beneficiaries is by incorporating it into the trust deed. The power balance is currently massively in favour of this stakeholder. The stakeholder analysis and interview with one of the board members revealed that the primary concern of the Board of Directors is to act in the interest of the company and importantly this is not always perceived as acting in the best interest of the RHEST or the beneficiaries.

All the current RHEST trustees are also directors on the company Board of Directors, both the company and beneficiary elected trustees. The beneficiaries argue that this is a conflict of interest for the RHEST as currently the political balance and decision making within the trust tends to favour the company at the expense of the trust, this causes conflict and mistrust between trustees and beneficiaries.

4.3.3.2 Group 2 - RHEST Trustees analysis

The trustees act as the guardians of the trust and are wholly empowered by the trust deed. The trustees cannot act outside the trust deed and cannot make any decisions which are not regulated through the trust deed. Trustees may manage the trust, however, they see fit as long as it is within the parameters of the trust deed, which leaves some room for discretion on certain areas only. Beneficiaries elected as a trustee by beneficiaries also have the opportunity to become a director on the company Board of Directors. However, this is not an automatic selection and is at the discretion of the executive members of the Board of Directors only. Only one company elected trustee **must** act on the Board of Directors, it is up to the discretion of the board whether both elected trustees may act as directors on the Board of Directors, thus the Board of Directors may select which of the two trustees they wish to have onboard. This was disputed on the grounds that beneficiaries felt that the Board of Directors tended to choose the “less aggressive” trustee.

Trustees have very little power but the position provides much prestige and opportunity for advancement within the company’s political spheres and it is therefore a very coveted position especially amongst senior beneficiaries who see it as an opportunity to advance their status and be recognised more pronouncedly within senior management circles. During the discussion of the

stakeholders, beneficiaries felt the current trustees were compromised and that they would like to suggest alternative trustees.

4.3.3.3 Group 3 – beneficiaries within the RHEST analysis

The power and political dynamics amongst the beneficiaries themselves are very complex. During the workshop session it became very evident that only certain beneficiaries were raising issues and others were simply in agreement with these “senior beneficiaries”. Importantly, I realised that all of these “senior beneficiaries” were older engineers and senior management personnel. Other beneficiaries seemed content to let these beneficiaries talk on their behalf. In later discussion it was revealed that this source of power came from the view that these beneficiaries were perceived as more “valued” in the trust due to the nature of the scoring system.

Furthermore their educational background intimidated some of the lesser educated “minority beneficiaries”. The younger engineers, although not intimidated by the “knowledge factor” are reserved due to the fact that many of the older beneficiaries felt they were “owed more” due to the fact they were more discriminated against by the past apartheid regime and that younger beneficiaries did not suffer under this regime and were therefore less owed. Importantly though, it seemed that the senior beneficiaries were championing the concerns of the “minor beneficiaries” during the workshop sessions, which at first seemed at their own expense within the trust, given the inequalities of the scoring system. In later discussion though it became apparent that some of these senior beneficiaries were using the weight, in numbers for voting right, of the “minority beneficiaries” to progress their own advances towards being elected trustees and potentially being able to advance their own agenda’s through a more powerful position, including personal career advancement. This type of behaviour was consistent with cautions described by Sauser (2009) documented in chapter 2.

While the data was not analysed by stakeholder group, two distinctly different perspectives emerged within the trust representing two distinct stakeholder groups. The first perspective advances the idea that the trust is nothing but a profit sharing mechanism in terms of influencing the beneficiaries. This perspective believes the purpose of the trust is to distribute dividends to beneficiaries should such dividends be available. Furthermore, the trust is a mechanism that is used by the company to maximise its BBBEE scoring and so benefit from better projects with higher profits which should theoretically equate to more financial benefit to beneficiaries. This perspective believes the current trust system is more than fair and should not be changed. This

perspective is advanced by the trustees, some senior beneficiaries and the company Board of Directors.

The second group believes the trust should be used as more than just a profit sharing mechanism. This perspective advances the drive towards transformation within the company and that beneficiaries should be recognised as equals within the scoring system of the trust and should have equal control of the trust.

One of the factors identified for the successful management of ESOP's in the literature review was the need for new owners to exercise meaningful power and control within the company structures and how this made a significant difference to the motivation, acceptance and productivity of the new employee owners (Sausser, 2009). This was currently not possible due to how current beneficiary representatives were selected and how the scoring system was skewed. Beneficiaries felt that there was no change in the status quo for control within the company since the current beneficiary representatives were members of the Board of Directors to begin with anyway. Thus beneficiaries did not feel part of decision making process within the company structures.

What further aggravated the situation was that new employee owners viewed this situation as the company taking advantage of their apparent participation in the managing of the company by maximising its BBBEE scoring level and claiming credit for black participation in management but with no tangible benefit to beneficiaries or changes to company structures or decision making processes.

Individuals advancing the second perspective believe that as a minimum requirement, the current points system should be discarded and beneficiaries should be awarded equal points throughout the structure. This group would ideally have the less privileged beneficiaries awarded more points than those already being benefitted by larger salaries and further claims the trust should not be used to supplement salaries but rather be an actual financial empowerment tool for employees such as cleaners, gardeners and other "minority beneficiaries", failing this points distribution structure, an equal scoring point system should be adopted.

Figure 15 shows the relationships derived at from the interaction with beneficiaries during the workshops, it shows the roles, values and norms the stakeholders assign to the system. It also

illustrate presence of the “political” issues that are taking place, within the trust, amongst the beneficiaries.

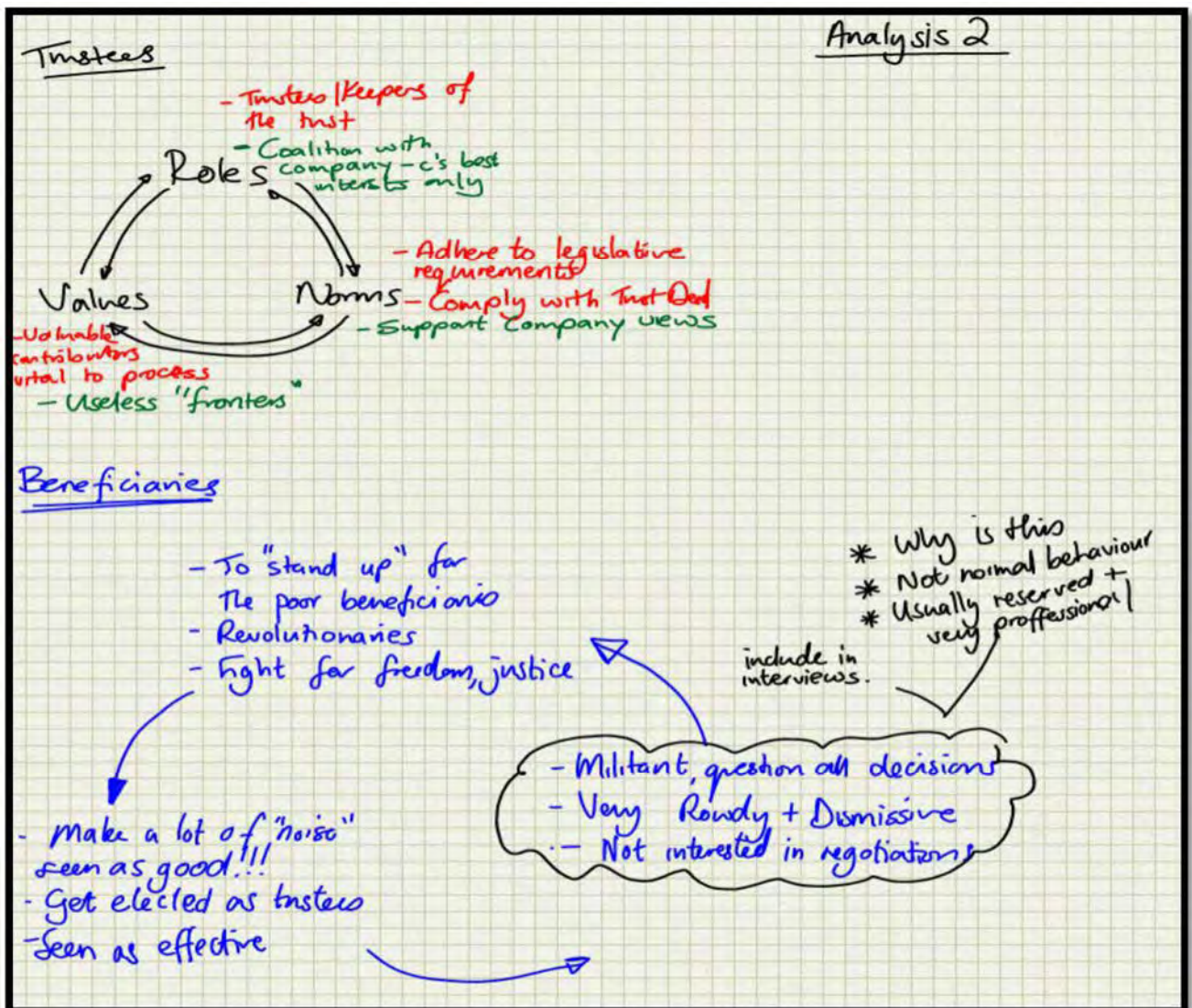


Figure 15: SSM Analysis 2 Data Collected During Workshop 1

As part of understanding the problematic situation the first workshop was also used to analyse the dynamics amongst the RHEST stakeholders as shown in the rich picture in Figure 13. An important aspect of Checkland’s philosophy is to identify the right issues within the problematic situation. As one of the primary objectives, the information and raw data collected was analysed in Appendix C. A qualitative data coding technique was then used to identify coding themes that act as motivating factors for the problematic issues within the trust. Several themes were identified as factors and variables that form part of the problematic situation within the RHEST as:

1. Inequalities of the scoring system;
2. Poor communication and information flow channels within the trust;
3. Lack of trust in the board of trustees and structures within the trust;
4. Exploitation of beneficiaries using the BBBEE scorecard for the benefit of the company;
5. High expectations from beneficiaries;
6. Concentration of power within the trust;
7. Differences between the company scoring systems and government's legislative framework;
8. Poor management of trust structures;

Figure 2 (chapter 1) formed the basis for the initial concern causal loop diagram with eight variables identified and used to initially describe the problematic situation. From the eight themes identified above, six additional variables have been added to Figure 2 to provide a more nuanced understanding of the problematic situation than that depicted in Figure 2. Whereas in figure 2, the feedback loops were reinforcing, new variables have introduced a balancing loop (for example, power of trustees to concentration of power to degree of autonomy of the trust from company to quality of management of trust structures, feeding back to power of the trust) and other influences.

Figure 16 provided an understanding of the problematic situation that formed the basis of workshop 2. The planning of the workshop was developed around presenting the identified themes from the analysis and presenting these themes to beneficiaries to get collaborative agreement on the most pertinent themes fuelling the problematic situation.

4.3.4 Workshop 2 – Participative analysis

The second workshop formed the second cycle of the action research process. 59 Beneficiaries from the Cape Town offices was invited to attend using email correspondence including the chairman and the trustees. 45 beneficiaries indicated they would be attending the second workshop; the attendance register was signed by 38 attendees. There were no new attendees to the workshop so there was no need to re – explain the process to anyone. The objectives of the workshop were to present beneficiaries with the outcomes of the coding process to obtain beneficiary opinion and agreement over the most with pertinent issues within the RHEST. The beneficiaries also made the following unqualified claims regarding the driving issues identified.

Table 7: Beneficiary Claims Regarding Trust System

Beneficiaries comments regarding information flow within trust structures	Beneficiaries comments regarding inequalities within the scoring system
We will never ever get money out because no one even understands how the preferable share works	Poor beneficiaries are being marginalised within the scoring system
Communication needs to be improved	No equalities within the trust scoring system
There is no transparency in this trust	The scoring system is undemocratic and unrealistic
The other big thing, the other purpose of the trust should be communication...this is a major issue	The rich are enriching themselves
Like at the moment there is no flow of information (within the trust)	There is a recognition that some are being benefitted more than other (within the scoring system)
Good communication within the trust (should be a measure of success)	Why does the system benefit the financially empowered more than the rest?
The rest of the company doesn't even know about this trust	
We request that documents be made available to show various resolutions and decisions	

I explained each of the themes separately and used the workshop as a platform to openly discuss the relevance and problematic driving potential for each of the themes. Notably, beneficiaries present agreed that the first three factors were major concerns within the trust. The discussion did not follow any set pattern and participants were allowed to discuss the identified issues in any particular order and not necessarily as they were presented. After a lengthy and healthy debate stakeholders present agreed that the following two issues were the most pertinent driving issues within the RHEST:

1. Inequalities of the scoring system used within the RHEST;
2. Poor communication and information flow channels within the trust.

This consensus on the driving issues within the trust was a significant step in getting stakeholders to agree about the concerns within the trust.

During this part of the workshop I also had to assist beneficiaries with not jumping to any conclusions as the temptation for getting quick solutions was prominent. Several of the beneficiaries present was very excited that we have reached this point and wanted to immediately get solutions to the identified issues. However, although very challenging, I had to remind beneficiaries that we should trust the research process and especially the methodologies being applied. After the beneficiaries agreed on the driving issues within the trust the workshop came to a close.

4.3.5 Workshop 2 – Non – participative analysis

At this stage of the research we had succeeded in identifying two major areas for improvement that were significant for the participants who have attended the workshops to date. While this did not represent the voices of all the stakeholders, it did provide coherence and some direction away from the fragmented messiness of the initial problematic situation and opinions towards a situation that was more defined and could be tackled.

In order to find feasible solutions further analysis was conducted into the credibility of each of the identified driving themes to have a better understanding of each of the issues. This was done to ensure each theme could be credibly advanced towards finding feasible solutions.

4.3.5.1 Analysis of the perceived inequalities of the scoring system

Figure 17 shows the percentage of point's allocation within the beneficiary grade levels. Beneficiaries are assigned different levels corresponding to their job function within the company.

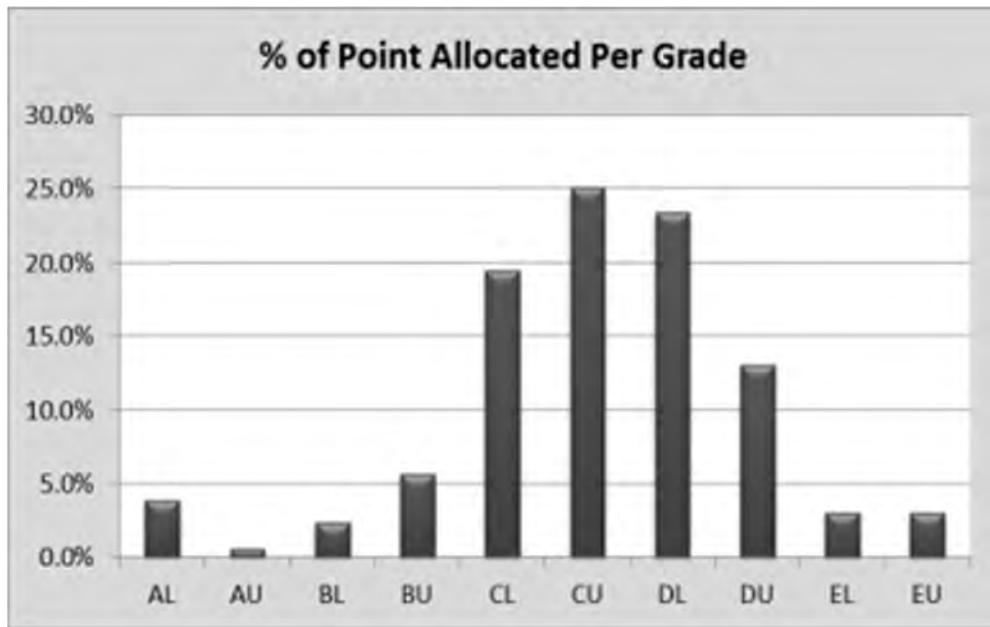


Figure 17: Percentage of Point Allocated Per Grade within the RHEST

Beneficiaries performing lower ranked functions such as cleaners and gardeners are assigned **AL** levels whilst engineers and technologist are assigned **CU** and **DL** respectively.

Higher management functions such as operational managers and directors are ranked in the **EL** and **EU** levels respectively. The graph shows that most of the allocation of points is distributed amongst the engineering and technological staff function, which is congruent with what the Board of Directors wants the RHEST to achieve, so in that regard it seems the trust is performing the function set out by the Board of Directors. Figure 18 on the following page shows the distribution of beneficiaries within the levels of the RHEST.

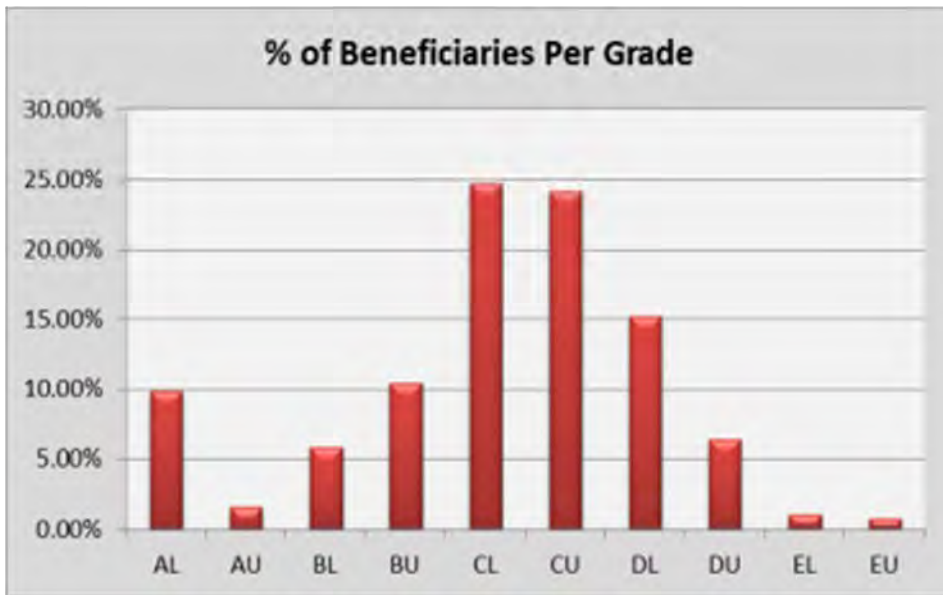


Figure 18: Percentage of Beneficiaries Allocated per Grade within the RHEST

As shown a large portion of the beneficiaries are situated in the CU and CL levels. However, a significantly large component of the beneficiaries are also located in the AL level which is the lowest ranked of all the levels. The combination of the two graphs is shown in Figure 19 below:

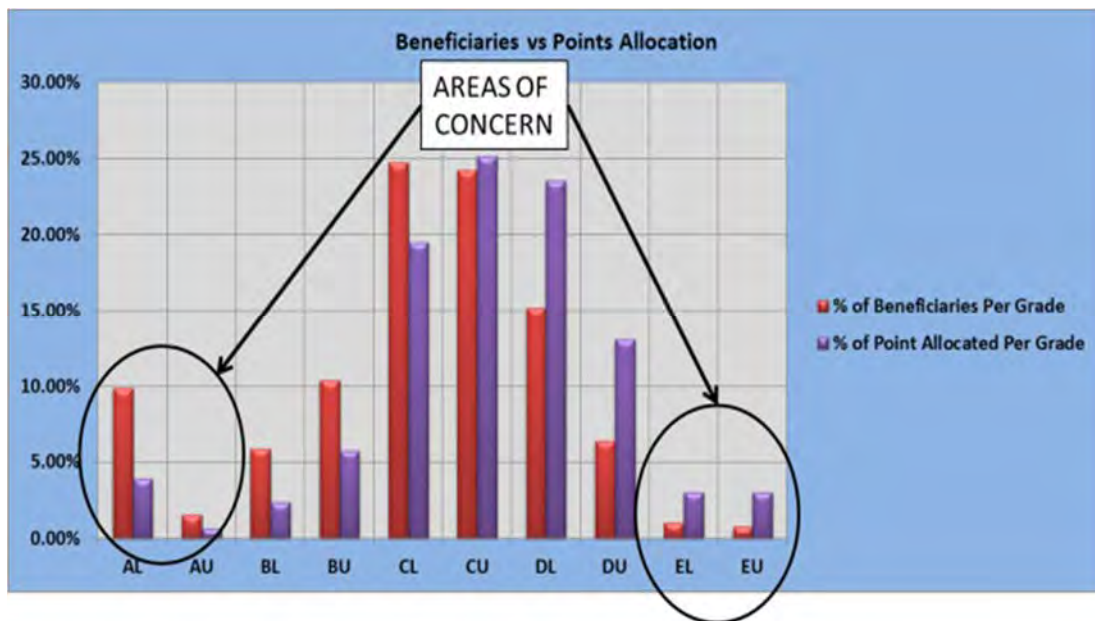


Figure 19: Beneficiaries vs Points Allocation per Grade within the RHEST

Figure 19 shows a major disparity in the measured entities in the lower (AL – AU) and upper levels (DL – EU). The figure indicates that the lower levels (AL – AU) show that the percentage of beneficiaries in those grades proportionally outweighs the percentage of points assigned to these lower levels. This effectively means that the lowest paid beneficiaries are also assigned the least

amount of points by number versus percentage group and consequently the lowest percentage of dividends per beneficiary compared to the other levels.

This was a significant insight as these are the levels occupied by the “minority beneficiaries” as identified using CSH, that are supposed to “benefit” most from the financial empowerment process ingrained in the BBBEE process. This analysis added significant credibility to the argument made by these “minority beneficiaries” that as the likely intended recipients of the financial benefits, and currently the most financially needy, they are in fact further marginalised by the current scoring system.

This insight coupled with the insights drawn from CSH regarding the marginalised beneficiaries and marginalised stakeholders, called into question the ethical consequences of the current scoring system. The data revealed that the “minority beneficiaries” were indeed being marginalised by the current scoring system and that the system leveraged points up to 12 times lower for the lower levels compared to the higher levels. This big disparity in point’s distribution justified the claim from especially “minority” beneficiaries as to why they perceived the scoring system to be “unfair” and “discriminatory” against them and is not aligning with the principles enshrined within the legislation.

Further research into the scoring system revealed that beneficiaries were scored according to their position in the company which is also related to their current salary levels. The ratio of point’s assignment to the lower levels is thus also equivalent to the disparity in salary assignment. Beneficiaries in EU and EL levels have salary levels and points allocation, within the scoring system, that is typically twelve to fourteen times higher than AL and AU levels. This is a major contradiction to government’s fundamental principle of using the BBBEE framework as a tool for minimising the financial inequalities.

Although the analysis revealed significant insights into the scoring system it would be very difficult to change how the current scoring system is utilised due to the power distribution and decision making structures within the trust. The Board of Directors are the only stakeholders who is able to change the current scoring system, however in previous interviews senior directors have discussed their reluctance to do so.

From the analysis, two of the senior beneficiaries started developing an alternative scoring system which was more inclusive and used a more equal point distribution system. This was a significant step in the process and was based on the outcome of this research and analysis process.

Using the information shown in Figure 19 to add credibility to the argument that the scoring system is significantly skewed and thus an argument exists for redefining the scoring criteria, the identified beneficiaries used the comments from beneficiaries to develop a new scoring system that was more culturally acceptable for the beneficiaries. This process was ongoing as an adjacent process to the research and did not form part of the research study but came about as a result of the participatory process. Although I provided inputs from my insights gained through this research, this process was driven independently by two selected senior beneficiaries.

Once a draft was compiled for a more culturally feasible scoring system, the senior beneficiaries proposed the new system to the Board of Trustees and upon agreement it was also presented to the beneficiaries during the third workshop.

4.3.5.2 Analysis of the communication and information flow within the RHEST

The second issue I investigated during this period was the lack of information within the trust structures. To investigate this issue I applied Beer's Viable Systems Model as a diagnostic tool to identify pathologies in the information flow and communication channels of the trust.

The full VSM diagnostic analysis for the information flow is documented in Appendix G. Figure 20 shows the modified VSM and a brief description of the pathologies identified as part of the full analysis.

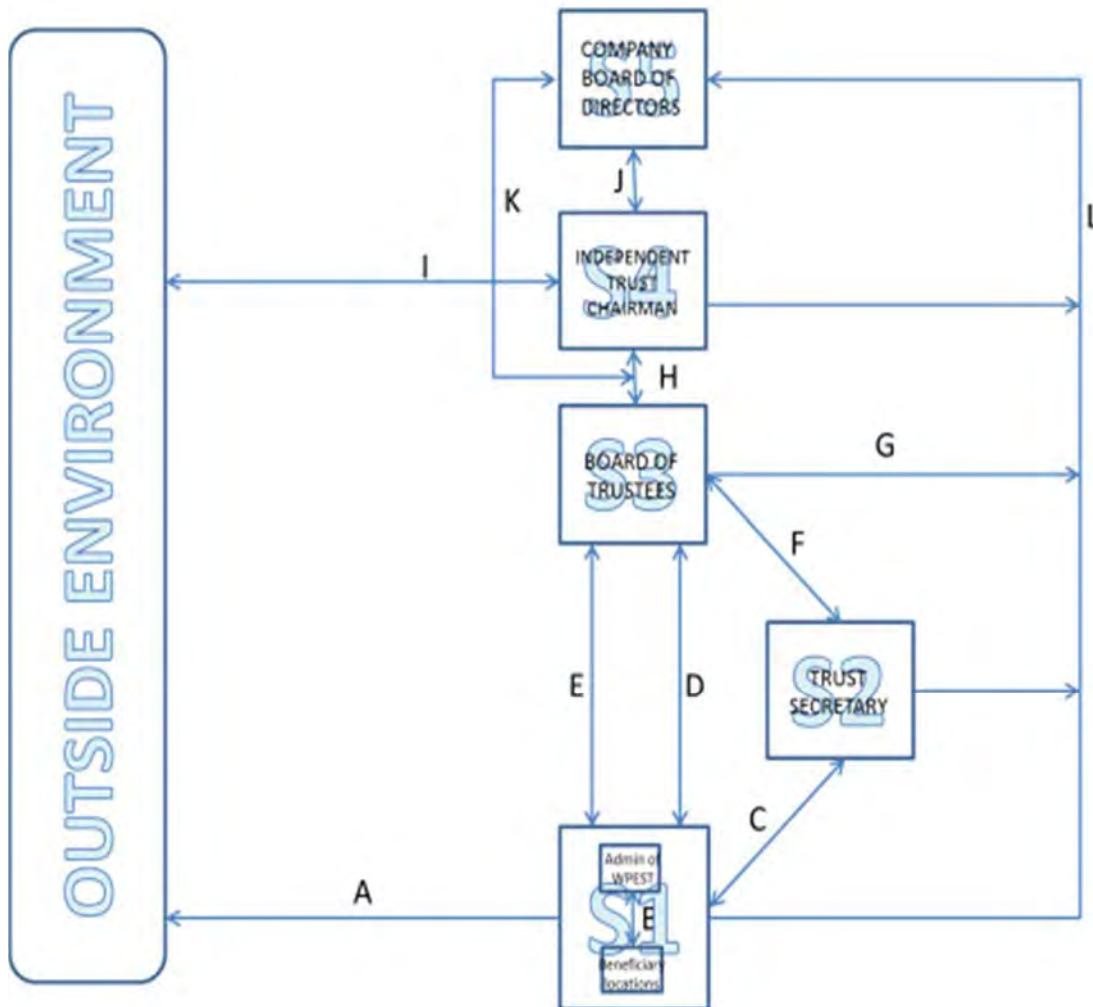


Figure 20: Modified VSM for Diagnosing Information Flow within the RHEST (Preece, 2010. p 227)

The following insights and pathologies were drawn from the VSM as findings (documented in Appendix G).

1. Matters pertaining to the trust are only discussed within trust structures and this creates a perception of ‘cloak and daggers’ around the trust which promotes a culture of distrust within and about the trust;
2. This culture of mistrust has caused many beneficiaries to question the motives behind the creation of the trust;
3. There is also a perception of a severe lack of information and communication flow between beneficiaries on the ground (S1) and trust management (S3 – S5). This coupled with the lack of dividends flowing through the trust due to the company’s poor annual results, has led to beneficiaries feeling that the trust is merely a farce and that they are being treated unfairly and ‘kept in the dark’ about trust issues;

4. This has forced beneficiaries to self-organize to try to extract information using whatever means they can, more recently threatening to dissolve the trust;
5. The trust secretary plays a very important role in the distribution of information and communication within the trust. Given the importance of this role, and the fact that the trust secretary is also a full time company employee, it seems impossible for the role to be performed by one individual. The lack of information flow due to the requirements of the role has far reaching effect on the already strained relationship between the beneficiaries and the trustees;
6. The company directors acting as trustees provides an invaluable link between the company Board of Directors and the Board of Trustees which makes the relationship between these entities very strong but has both negative and positive effect on decision making within the trust;
7. The trust chairman is a highly underutilised resource for the trust. Not just in terms of allaying beneficiaries' fears over the decision making within the trust and regarding the autonomy of the chairman's position but also in terms of using his knowledge of the outside environment to benefit the trust. The trust chairman has experience and has been involved in numerous company employee share trust before;
8. There is a perception by beneficiaries that company trustees has a unusually strong influence on decisions being made within the trust and that beneficiary trustees are being 'bullied' into decisions due to their lower positions of power within the company structures.
9. Beneficiaries feel that their concerns are not being highlighted to either the Board of Trustees or the Board of Directors and this creates plenty of mistrust about the efficacy of the trust management and information flow structures;
10. Certain queries made at Board of Trustees level should be elevated to Board of Directors level and certain due diligence are not being performed by the Board of Trustees.

The analysis revealed several pathologies which added credibility to some of the claims made by beneficiaries during the first workshop while also revealing several insights into finding possible feasible solutions.

From the analysis it is quite clear that the information and communication flow within the RHEST requires attention. The communication and information flow structures are weak at critical points in the RHEST system. French and Rosenstein (1984) states that the flow of information and the right to information is relates directly to the power distribution within the ESOP and are important

factors for successful management of a ESOP. This was causing unintended consequences in many other areas and eroding beneficiary trust and commitment to the RHEST. In order to make the trust feasible this was one of the major areas that would require attention.

The knowledge gained about the system allowed me to better understand the driving issues and be able to propose better systemic interventions. The third workshop was an opportunity to discuss these findings and proposals with the stakeholders and identify feasible interventions using SSM techniques. Short descriptions of the findings from the second workshop were sent to all the relevant stakeholders including the objectives for the third workshop. The responses sent to beneficiaries aroused plenty of interest especially from the Board of Trustees and the trust chairman who indicated their availability for the third workshop.

4.3.6 Workshop 3 – Participative analysis

The third workshop also formed the third cycle of the action learning process. 59 Beneficiaries from the Cape Town offices was invited to attend using email correspondence including the chairman and the trustees. 33 beneficiaries indicated they would be attending the third workshop; the attendance register was signed by 38 attendees. Significantly, the trustees and the trust chairman were able to attend this workshop. The objective of the third workshop was fourfold:

1. To provide feedback on the additional analysis conducted on the driving issues agreed during the second workshop;
2. To generate a root definition for the RHEST system;
3. To generate a plausible conceptual model for the root definition; and
4. To recognise and design feasible interventions using the conceptual model.

The first half of the workshop was used to discuss the insights gained from the further analysis and to present the results to the stakeholders present. The beneficiaries were presented with the VSM analysis (see Appendix G) and requested to comment on the findings.

During the discussion of the identified pathologies, several of the beneficiaries including the trust chairman, the trustees present and some senior beneficiaries identified with the pathologies and acknowledged their existence within the RHEST which added additional substance to my analysis.

What was also significant during this time is that for the first time, some of the beneficiaries had direct contact with the trust chairman who also seemed to naturally assume the role of 'chairing' the workshop and allowing everyone an opportunity to express their opinions concerning the identified pathologies. This discussion was to a large extent a confirmation from beneficiaries about the pathologies identified using the VSM. The discussion allowed all the stakeholders to openly express their concerns and more so allowed us to collectively, as a group, recognise that the identified pathologies had unintended consequences on other "softer" issues such as morale and trust within the structures of the RHEST. The discussion helped to illuminate, especially for the trust chairman and the trustees present, some issues which they were unaware of was causing beneficiary unhappiness.

The second part of the workshop was used to generate a root definition for the system as part of the SSM process towards finding feasible interventions. Some beneficiaries felt this step was not necessary given the results of the additional analysis done and was eager to rather propose solutions for the identified issues and pathologies. However after great difficulty I was able to get them to agree to follow the process I set out at the start of the research, especially as the conceptual model building was a necessary step towards generating feasible solutions. After a brief discussion the root definition was agreed amongst the stakeholders present. Significantly the trustees present were able to provide a more holistic viewpoint of the root definition which included some "company" values. Using the SSM CATWOE as a basis for constructing the definition, the root definition for the RHEST was agreed by the stakeholders present as:

A company owned employee share trust which is managed by company and beneficiary elected trustees using the trust deed as a management framework. The beneficiaries of the system include the company as a whole but also all PDI's employed by the company. They are benefitted by transforming the need for wealth generation amongst PDI's and the company's BBBEE requirements, through a belief that the scoring system will distribute wealth to the PDI's, using the company's value adding principles, whilst operating within government BBBEE structures.

In conjunction with the workshop participant's and using SSM techniques, I was able to construct a conceptual model around this root definition. Using the ideas suggested by the stakeholders, and some of Checkland's (1999) methods in the workshop, three distinct sub systems were identified in the conceptual model. These sub systems were:

The awareness system which must be modelled around the awareness of the needs of all the stakeholders present, which CSH revealed was for both the company and especially the needs of the beneficiaries and moreso minority beneficiaries.

The monitor and control system which must be modelled to measure and control the criteria recognised within the awareness system. The criteria must be measured for both importance and appropriateness to the trust system and all its stakeholders especially the company and the beneficiaries.

The third system is **the operational system**, which is modelled by defining the criteria explicitly for each of the stakeholders. Importantly, not all the criteria could be relevant or incorporated into the system, thus this system coupled with the measurement and control system also deals with which criteria should be abandoned and how the remaining criteria should be integrated and incorporated into the scoring system.

A good example of how these three systems integrate would be the company's value adding principle and how this is defined, measured and incorporated into the scoring system. After several iterations during the workshop, the conceptual model agreed upon by the stakeholders are shown in Figure 21 below:

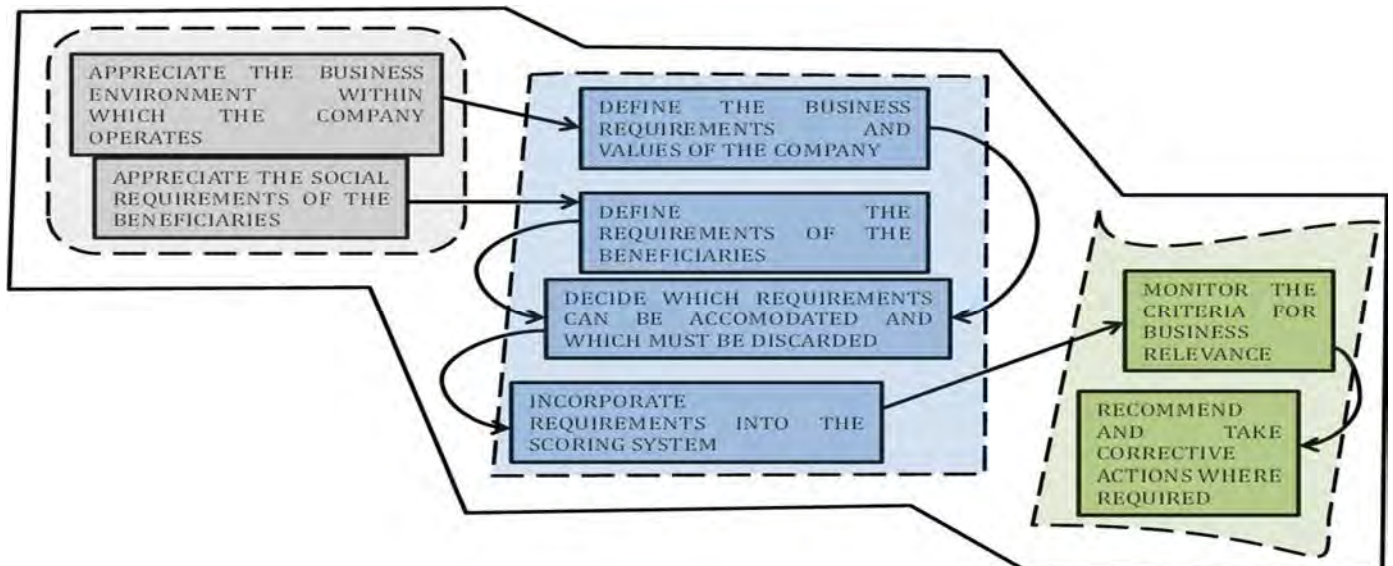


Figure 21: Conceptual Model Relating to the Root Definition During Workshop 3

The model was recognised as a significant variance on how the actual current process works and this was acknowledged by the trustees and the beneficiaries present at the workshop. Using the

conceptual model as a basis for suggesting changes within the system various stakeholders highlighted their different values and priorities for the RHEST.

The latter part of workshop 3 was specifically used to generate conversation around the conceptual model that could be used to compare the real world situation to the idealised conceptual model for the trust given the agreed root definition.

The elements of the awareness system provided some conflicting comments from stakeholders present particularly between the BOT members and some of the minority stakeholders. The BOT members held a very particular view regarding the awareness system and strongly highlighted the need for the RHEST to be aligned with the company requirements for maximising their BBEEE scoring in the current business environment and retaining experienced engineering staff. Minority beneficiaries argued that although such awareness was critical, if the system was not being conscious of the social responsibility aspects of uplifting poorer beneficiaries, the true potential reached and the values of the RHEST was not aligned with government's principles. Both parties agreed that if highlighted in public, this could be construed as "fronting" which could be very damaging to the company's image and that the systems has to be congruent on both fronts.

BOT members further argued that the current scoring system was already aligned with the company requirements of retaining senior engineering personnel through a higher points allocations but also recognised the fact that this was placing minority beneficiaries at a further disadvantage through their allocation of lower points in the current scoring system. After much discussion, most of the stakeholders agreed that although the RHEST was a company owned employee trust, it could not solely be used for the benefit of the company. Furthermore some of the senior beneficiaries and BOT members were able to agree with minority beneficiaries that a more equal distribution of points were needed as this would be more aligned with the company's values of uplifting poorer beneficiaries through the BBBEE. Although some minority beneficiaries were adamant that the scoring system should not just be equal but rather skewed in their favour given the principles behind the BBBEE legislation, this view was not held by all minority stakeholders.

The monitoring and control systems was also well debated amongst stakeholders. Although everyone agreed that such a system was needed the nature and resulting actions were contentious. The senior company directors and trustees argued that should a new scoring system be imposed, such a system must be monitored in conjunction with the retention rate of the senior

engineering staff. Should staff turnover be particularly high, a mechanism must be invoked to allow the scoring system to help retain engineering staff as this was an engineering company and engineering skill retention is to the benefit of everyone involved in the RHEST. This was again contradictory with some beneficiaries who argued that the system should rather monitor financial benefit for beneficiary from the RHEST and that staff retention should be a company prerogative and not a RHEST prerogative.

The ensuing conversation amongst the stakeholders resulted in beneficiaries making various suggestions in line with both the conceptual model discussion, and pathologies identified within the information flow channels. Using this conceptual model as a basis for discussing feasible interventions, the stakeholders present agreed that the trustees propose the following possible feasible interventions to the Board of Directors for approval.

1. The trust scoring system should be re-examined and aligned to be more inclusive of beneficiaries needs
2. One 'lunch and learn' session per month should be organised by beneficiaries
3. Two systems – the trust secretary and the Sharepoint site, should be better managed to improve information flow.
4. Additional personnel (from the company side) could be requested to attend the 'lunch and learn' sessions to explain parts of the trust deed that required specific knowledge for e.g. legal or finance. The trust deed is a very misunderstood document and most beneficiaries get the wrong idea about what the document should be used for.
5. More information regarding the trust must be distributed to non-beneficiaries and other company staff to shed more light on trust matters.

These proposed interventions are further discussed in the following chapter.

The trustees, including the trust chairman, committed to presenting the proposal of these interventions to the rest of the Board of Trustees at the next meeting and would strongly support the approval of the items mentioned.

I also recognised that it would be more culturally acceptable for beneficiaries to receive feedback directly from senior beneficiaries rather than trustees, as senior beneficiaries were perceived as a more "credible" source currently within the social system of the trust, especially given that many of the beneficiaries were unable to attend the workshops and provide inputs.

I was also further tasked by the beneficiaries, in my capacity as trust secretary, to ensure feedback on the proposals once presented to the Board of Trustees and Board of Directors were distributed to all stakeholders and to ensure key stakeholders in this process is well informed throughout. A follow up workshop would then be organised to attend to the feedback from the Board of Directors.

The proposed actions and acceptance thereof concluded the workshop with all the stakeholders satisfied with the progress to date. This point marked the first instance where all the stakeholders present agreed with the outcomes and actions required which was already a significant improvement to the problem situation.

As previously noted, Figure 16 provided a depiction of my understanding of the problematic situation through the interrelationships shown between the identified variables. A systemic understanding of the problematic situation is a key component to finding feasible solutions to the problematic situation. In Figure 22 the four variables identified which should be directly affected by the proposed interventions, are highlighted in green. These four variables are part of feedback loops. By positively influencing these four variables, the system can be improved.

Because of the reinforcing feedback loops, incremental changes can be multiplied over a time span and incrementally the entire RHEST system can be improved for sustainability. Using Figure 22 in the manner described provides a significant step into identifying the proposed interventions as feasible solutions for the problematic situation discussed in chapter one.

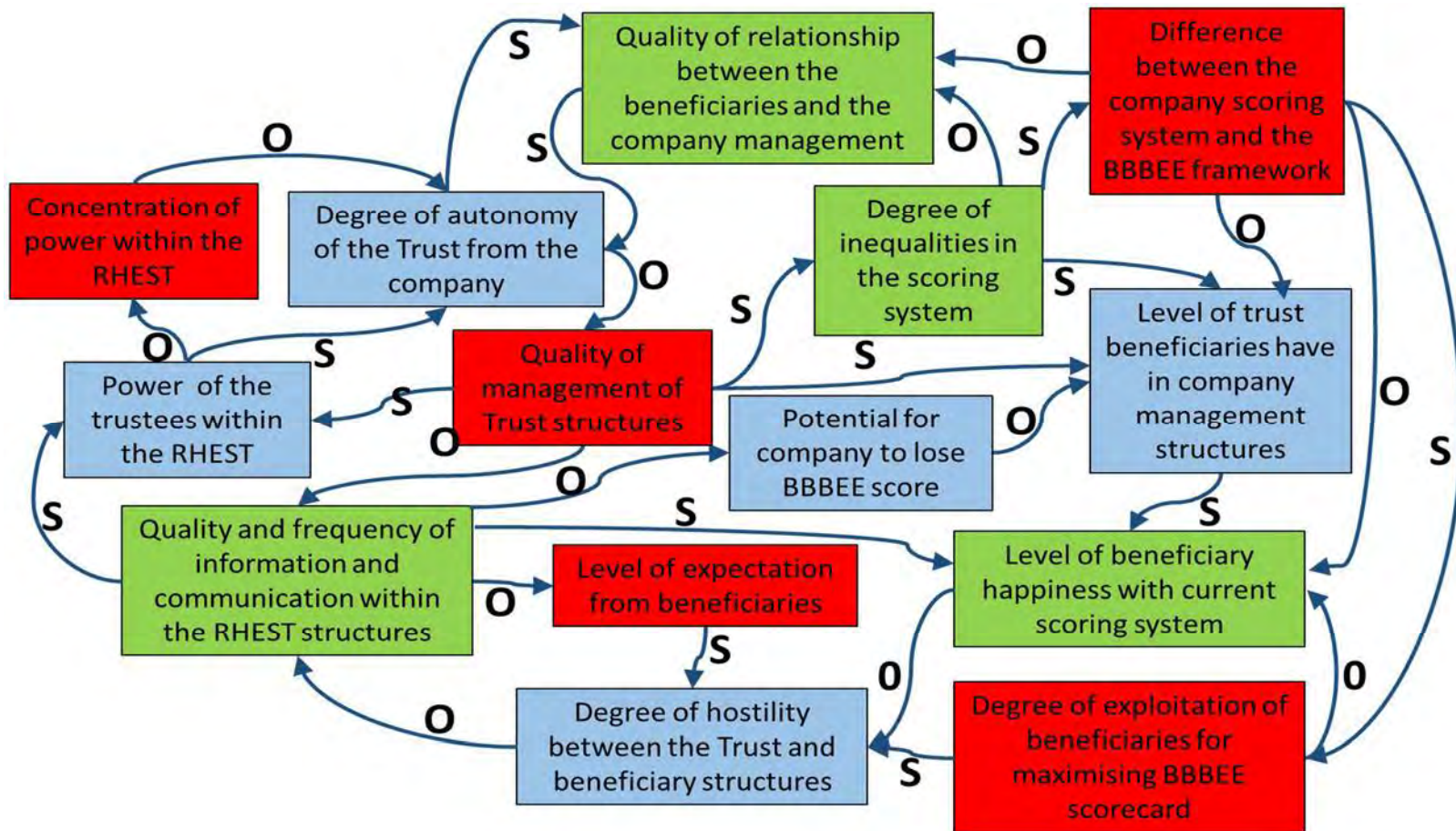


Figure 22: Problematic Situation Showing Areas Affected by Proposed Interventions

4.4 Conclusion

This chapter set out the results of the practical study of the methodologies described for the undertaking of this research study. The chapter starts with a concise description of the problematic situation described in more detail in chapter 1, and then proceeds with a description of the focus group studied, which is aimed at all RHEST beneficiaries employed in the Cape Town office including one of the beneficiary elected trustees, one of the company trustees and the trust chairman.

I then proceed to describe the participative and non-participative process during the 3 workshop sessions arranged with the stakeholders. The proposed interventions generated through the application of the methodology and accepted by the participants, particularly the members of the Board of Trustees present, were discussed. I also discuss the establishment of a set of actions set out for key individuals, identified for the implementation of the proposed interventions.

The chapter ends with Figure 22 which shows the potential impact of the proposed interventions as feasible and sustainable solutions to the problematic situation.

Discussion and recommendations

The complex situation inherent in the RHEST with conflicting stakeholder viewpoints was causing a compounding, complex and volatile situation. This situation was clearly unsustainable and urgent intervention was required in order to determine systemically feasible interventions. This chapter discusses the conclusions drawn and the insights gained resulting from the application of the methodology, devised from different systems approaches, to the identified problematic situation.

5.1 Research questions addressed

This section of the dissertation will provide a critical reflection of the research outcomes in effectively answering the fundamental research question posed. To recap, the fundamental question posed at the start of this research paper was:

What interventions can be introduced into the RHEST to make the system more feasible for the stakeholders?

The answer this research question, I also sought to answer the following sub questions:

1. What are the stakeholders' perceptions of issues within the trust?
2. What are the viable and culturally feasible interventions that can be performed to improve the situation within the RHEST?

In order to answer the primary question I had to have an adequate understanding of the problematic situation and the social nuances within the system to be able to understand what constitutes a feasible intervention. If adequately answered, the system constituting the RHEST should be greatly improved for the benefit of all the stakeholders especially the marginalised stakeholders. The sub questions will now be individually addressed before addressing the main research question.

5.1.1 What are the stakeholders' perceptions of issues within the trust?

The preliminary collection of data identified a number of issues that were perceived to be impacting on the effectiveness of the trust. These were represented in a hypothetical qualitative systems dynamics diagram (referred to as a concern Causal Loop Diagram).

Using a qualitative coding method, documented in Appendix C, nine additional themes were then recognised as issues within the trust and integrated with the initial themes identified.

Using Figure 16 as a basis for a discussion around beneficiaries' perception of issues within the trust, two specific issues were recognised as driving issues within the RHEST.

The two issues identified and agreed with stakeholders as driving issues within the RHEST were:

- 1. *Inequalities of the scoring system***
- 2. *Poor communication and information flow channels within the trust***

These two issues were used as a starting point for identifying culturally feasible interventions that contributes to the sustainability of the RHEST.

5.1.2 What are the viable and culturally feasible interventions that can be performed to improve the situation within RHEST?

From the VSM analysis it becomes clear that the management and communication structures within the RHEST are both poorly managed and maintained. Several authors documented in the literature review, including French and Rosenstein (1984), Leadbeater (1997) and Sauser (2009) notes the importance of suitable and well managed structures within an ESOP for its successful management. One such poorly managed structure within the RHEST was the position of the trust secretary and how this negatively affected the communications and information flow within the RHEST. An improvement in the management structures, especially the trust secretary position, was one of the interventions proposed.

A second important insight gained was that the governing body, the Board of Directors, for the RHEST management imposed rigid parameters which severely constrained the decision making and flexibility of the trust management. Any important decisions that had to be made were

elevated to Board of Director level and beneficiaries had very little to no influence in the trust decision making process. Being able to exercise control in the organisation and having active participation in the decision making process of the company was identified by several authors including McCarthy, Reeves, & Turner (2010) and Pendleton, Wilson and Wright (1998) as a significant factor in the successful management of an ESOP. Furthermore Sauser (2009), Jensen (2006) and French (1987) emphasises that if clear rights of participation in the company and the right to engage in the decision making process is not upheld, it can harm the ESOP by negatively influencing motivation and participation in the ESOP. Within the RHEST, this disconnect fuelled issues of mistrust between beneficiaries and management including both the Board of Trustees and the Board of Directors.

Using this conceptual model as a basis for discussing feasible interventions, coupled with the insights gained from the identification of the two most prominent issues within the trust, the beneficiaries present suggested the trustees propose several interventions to the Board of Directors for approval. These interventions are discussed in the sections to follow.

5.1.2.1 Changing the trust scoring system to be more inclusive

The trust scoring system should be changed and aligned to be more inclusive of beneficiaries' needs and should incorporate more of the actions highlighted in the conceptual model – this intervention was proposed as a direct result of the first driving issue identified during the workshop sessions. This proposed intervention relates to higher employee participation and new employee owners being able to practice some degree of power and decision making within the RHEST management structures, both important factors contributing to the successful management of the ESOP (Sauser, 2009), (French L. , 1987)). A consensus was reached amongst beneficiaries that the beneficiary elected trustees would present an alternative scoring system to the rest of the Board of Trustees for approval by the Board of Directors, irrespective of the Board of Directors current views on the scoring system. Given my understanding of the problematic situation, I contributed with the following suggestions to promote the feasibility and cultural acceptance of this proposal:

1. Two of the senior beneficiaries were tasked with the compilation of a new scoring criteria, the document must be supported from other beneficiaries across the country before the proposal can be submitted to the Board of Trustees. Given the cultural dynamics of the RHEST I felt it was integral that beneficiaries not attending the workshop were informed

of the proposed interventions before being submitted to the Board of Trustees. This was consistent with the insights gained during the stakeholder analysis.

2. Once the proposal has been completed, it would be integral for the beneficiary elected trustees to ensure the proposal is presented at Board of Trustees level and not merely at Board of Trustees level only. One of the pathologies identified within the VSM is that decisions are often executed at Board of Trustees level which should be executed at Board of Directors level to the disadvantage of the beneficiaries and given the sensitive nature of the particular issue it was important to ensure due diligence and transparency.

5.1.2.2 Having lunch and learn sessions to learn more about the RHEST

The second proposed intervention was for beneficiaries to organise a monthly 'lunch and learn' session with the trust chairman. The trust chairman must commit at least one 'lunch and learn' session per month to interact with the beneficiaries in the Cape Town office and other beneficiaries from other offices will be allowed to connect via teleconference. This is congruent with Leadbeater's (1997) proposal for the use of employees' participation groups and self-management working teams to improve ESOP management. Additional personnel (from the company side) could at times also be requested to attend the 'lunch and learn' sessions to explain parts of the trust deed that required specific knowledge for example: legal or finance; thereby increasing beneficiary knowledge regarding the RHEST structures. This will also afford beneficiaries the opportunity to interact with their trust chairman and forge a better relationship between beneficiaries and management which Sauser (2009) claims will increase co operations amongst stakeholders. It also provides beneficiaries the opportunity to gain more information on the trust structures.

5.1.2.3 Assist with the management of RHEST structures - the trust secretary position and the Sharepoint Site

As previously stated, several authors including French and Rosenstein (1984), Leadbeater (1997) and Sauser (2009), highlights the need for proper structures within the ESOP. Furthermore, Leadbeater (1997), Forgy & White (1988) and McLagan & Nel (1995) notes information sharing and distribution as important factors for cooperation and success of ESOP's. Two structures identified within the RHEST that relates to information sharing, the trust secretary position and

the Sharepoint site, needed improved management structures. Additional beneficiaries were requested to voluntarily assist the trust secretary with administrative duties to provide the secretary more time to successfully manage the information flow within the RHEST. Furthermore, a capable voluntary beneficiary should be assigned specifically to keep the SharePoint site updated with current information.

Figure 22 provides an indication of how these proposed interventions can influence the entire RHEST system towards better sustainability.

5.2 Further implications and recommendations for further research

The implications of the proposed interventions could have far reaching effects for the RHEST especially if the Board of Trustees and Board of Directors are willing to accept the changes on the scoring criteria. This can positively affect the attitude of beneficiaries and more importantly have a significant impact on the financial empowerment of especially the “marginalised” beneficiaries. During the case study period the de-escalation of the situation was already apparent to me in my role as trust secretary as compared to previous meetings.

This was especially evident through the numerous phone calls I received from beneficiaries who did not participate in the research process but heard rumours of its effectiveness. One disadvantage of this particular word of mouth spread was that it did create expectations that the RHEST will change to the benefit of the beneficiaries immediately and that the Board of Directors would become more flexible in their approach, especially their consideration of the scoring criteria. A strong argument exists that this consideration should have a hugely positive appeal to the ethical considerations of the RHEST and how it aligns itself with government’s BBBEE principles.

One aspect of the research that was unexplored is how this research study may have shown that lower paid beneficiaries are not likely to have their financial status significantly improved through the company trust mechanism. French (1987) argues that if employees view the ESOP as a mechanism for providing additional financial stability and this is not the case it could prove detrimental to the stability of the structure of the ESOP and will cause the employee owners to want to exercise more control in the decision making process to compensate. Given the intentions of government’s BBBEE Act and the current structural composition of the RHEST, this may be a bitter pill to swallow for minority beneficiaries.

Kovacevic (2007) notes that economic empowerment through these types of vehicles is more often than not unsuccessful, as is the case with the RHEST, especially given the preferential share mechanisms. Economic policies like the BBBEE act can function as desired but caution must be taken in such economic policies as it can create expectations which are not delivered on, and while people are hoping for delivery they are not encouraged in – or even discouraged from - utilising other possibilities for economic upliftment.

From this perspective, it would be recommended that further research be encouraged in areas that investigated how such policies can be successfully implemented without creating expectations or expectations based on other rewards besides financial upliftment.

Reflection and conclusion

This chapter discusses reflections and insights gained during the research process and also discusses findings.

6.1 Methodological approach

My initial focus was on the participatory activities required to achieve the research objectives. This involved ensuring the stakeholders were comfortable with the methodologies being used and my management of processes and discussions held during the workshop sessions. All stakeholders were encouraged to participate fully during these sessions.

My second area of focus was the need for stakeholder management and people management, especially given the different perspectives, high emotion and different purposes stakeholders assign to the system. It was important for stakeholders to respect the views of others and for me to create a platform where stakeholders could understand each other's viewpoint without creating a conflict situation.

The final focus area was to rely on the analysis and not prejudice a particular viewpoint including my own viewpoints, issues or predetermined solution within the system, which was very challenging at times. Being able to provide backup data analysis for the claims made allowed me to justify such claims and to remain credible and impartial. The identification of boundary critique using CSH was crucial in assisting with this element of the research. Frequent informal discussions with non-stakeholders throughout the process also provided an invaluable sound board for objective opinion and insights. Given my position within the trust, the VSM was especially challenging given the number of pathologies identified around the position of the trust secretary and having to openly discuss issues around this position highlighting my personal deficiencies as trust secretary.

In managing the application of the SSM process, I relied heavily on literature and insights gained from previous researchers, but also interaction with stakeholders at the workshops and were led mostly by their interaction with one another. This interaction provided opportunities for learning for myself and the participants. My relationship with my mentor also provided a valuable tool in channelling the research and I quickly gained confidence which culminated in the success of the workshops and ultimately the research process.

The implementation of the various data gathering techniques and subsequent evaluation of the data also resulted in important personal learning and satisfaction. The research process that I embarked on through this study contributed significantly to de-escalating the situation within the RHEST and with my assistance the process provided invaluable insights that could improve the situation.

Although the research study was effective in highlighting some of the shortcomings of the RHEST and provided suggestions for feasible solutions, there are still some moral issues which remained unresolved and require further exploration in a way that engages critically with structural elements of the organization and relationships.

There is a great lack of trust between the stakeholders and even amongst the beneficiaries. The structural composition of the trust and the levels in the scoring system will always dictate a level of mistrust amongst stakeholders. This is an aspect of the research study that could benefit from further critical engagement.

Lastly, the issue regarding stakeholder expectations. It was clear from the start that not all stakeholder expectations could be addressed adequately as shown in the stakeholder analysis. Although some of the stakeholder's expectations have been achieved, many of the stakeholders had to contend with not having their expectations met through the research process. I did however get a sense that stakeholders have been able to manage their expectations of the RHEST better through the process of this research study, especially their financial rewards expectations.

Although the research left some of the above issues unresolved it was especially rewarding to achieve the resulting proposals set by the beneficiaries, which showed a higher level of interaction and participation from all involved, particularly those who had been marginalised initially. Being able to initiate a process that was successful in that regard was both gratifying and humbling.

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APPENDIX A: DETAILED DESCRIPTION OF SYSTEMS METHODOLOGIES USED IN THE RESEARCH

This appendix provides a detailed account of the two methodologies used to design the four step methodology used in this research. It also provides a detailed account of the systems methodology used to investigate the communication flow within the trust.

The three methodologies documented are:

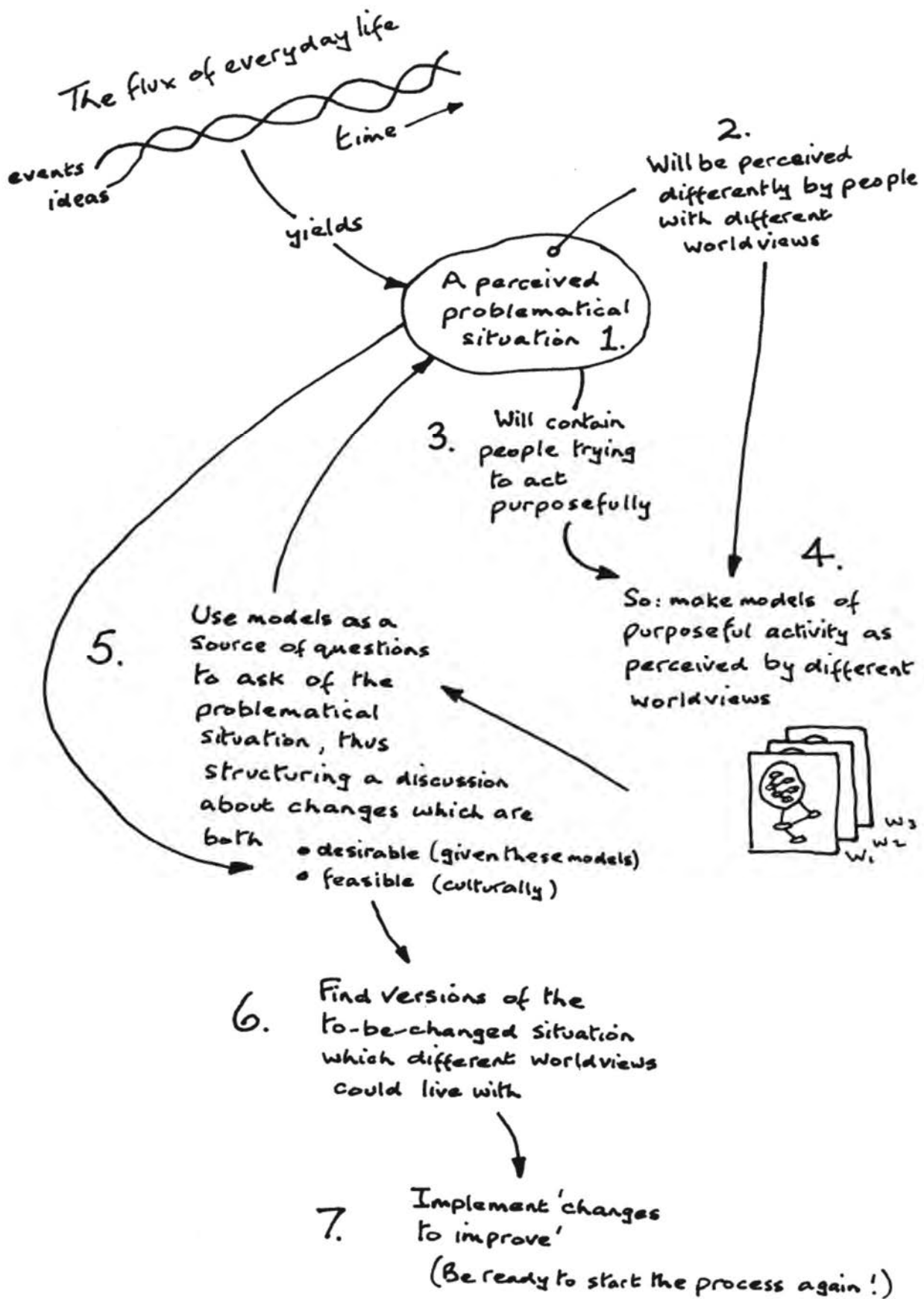
- i. Checkland's *Soft Systems Methodologies*
- ii. Ulrich's *Critical Systems Heuristics*
- iii. Beer's *Viable Systems Model*

SOFT SYSTEMS METHODOLOGY

Soft systems methodology was designed with its principles based specifically with ill-defined problematic situations. As the name suggest, the methodology deals particularly well with softer "human issues" prevalent in systems. Complexity from real life situation stems from the fact that such situations are seldom, if ever static. This is mostly due to the fact that it involves several different stakeholders who each have a different perception of the problematic situation and these perceptions are rarely aligned.

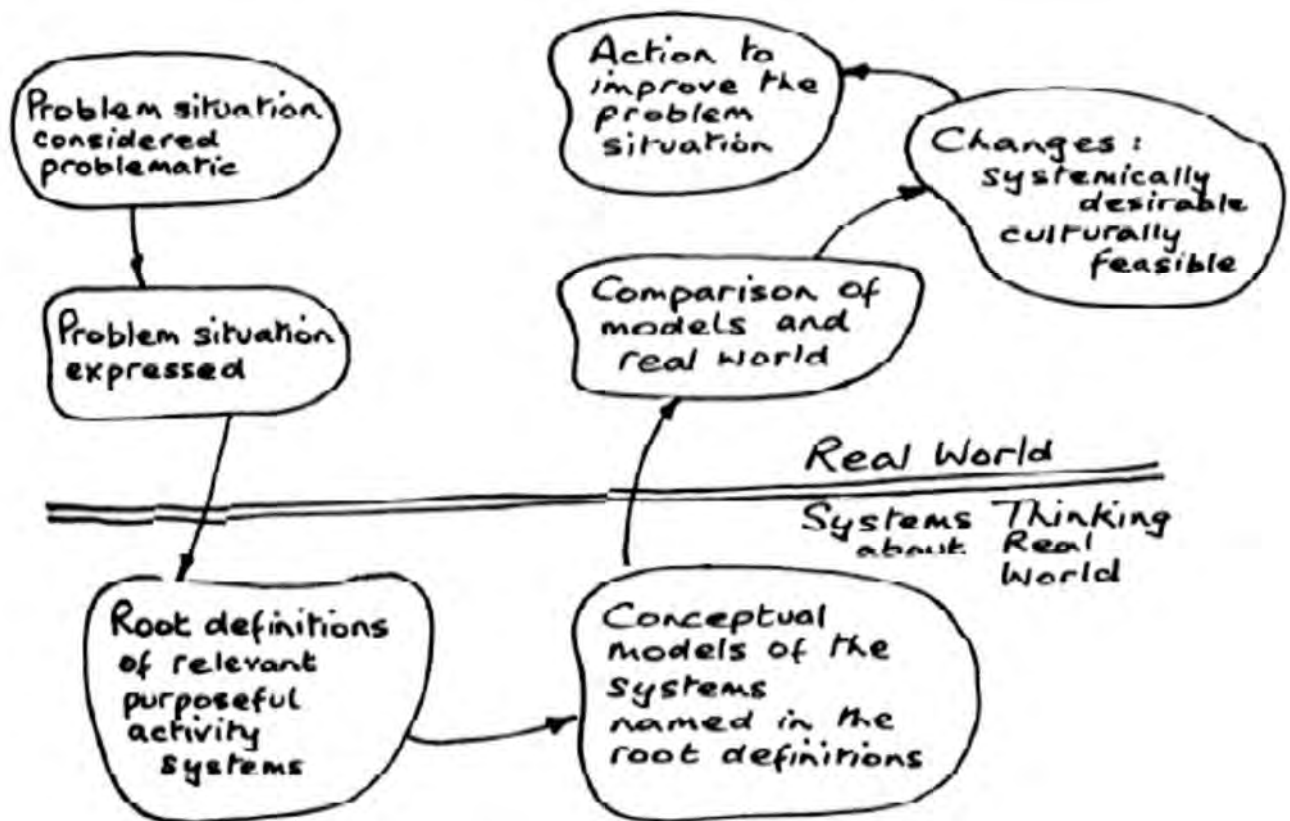
SSM is defined by Checkland as a learning process in problematic situations and constitutes a seven step learning process. The seven step process is not a rigid process and the steps can be used interchangeably or even skipped in totality. There is no real beginning or end and iterations and "backtracking is not only possible but recommended" by Checkland (2009. p 165).

The Figure 1 below is the most accurate depiction of the seven step SSM process I have discovered to date (Checkland & Poulter, 2010. p 195)



Appendix A Figure 1: 7 Step SSM Process (Checkland & Poulter, 2010. p 194)

The Figure 1 above shows the seven step process and a short description of each step. Checkland et al (2010, p. 235) uses a very useful diagram to depict the two dimensions of where the seven steps take place.



Appendix A Figure 2: SSM 7 step process (Checkland & Poulter, 2010. p 235)

Appendix A Figure 2 shows how the seven steps are divided into both the real world situation and systems thinking activities. The real world depiction activities involves people from the problematic situation whilst the systems thinking about the real world, may or may not involve stakeholders. These are the stages where the complexity is better understood the problem situation untangled.

Using Rich Pictures

One of the unique items introduced by Checkland's is the method for describing the problematic situation. Checkland introduces a cartoon like depiction of the problematic situation that he refers to as a rich picture. This picture shows the problematic situation as a series of cartoon like images and the interrelationships between the problematic issues, the conflicts, different stakeholders' views, specific features and other representations that the practitioner can accumulate about the

problematic situation. Using a picture is more useful than a worded description of the situation (Checkland P. , 1981). Importantly to note though is that the rich picture is only a temporary depiction of the situation as it is ever changing and dynamic. It therefore provides more of a snapshot than a “movie” of the problematic situation

Checkland et al (2010, p 209) recommends two questions as a good start to any problematic situation:

- i. What resources are deployed in what operational processes under what planning procedures within what structures, in what environments and wider systems, by whom?
- ii. How is resource deployment monitored and controlled?

If the practitioner can answer these two questions, their understanding of the problematic situation has already increased significantly.

Using SSM as a tool for intervention – Analysis 1

When using SSM for intervention there is always three persons to consider (Checkland et al, 2010. p 211):

- i. The individual causing the intervention – the client
- ii. The individual conducting the investigation – the practitioner
- iii. The individual who is effected by the intervention – the owner

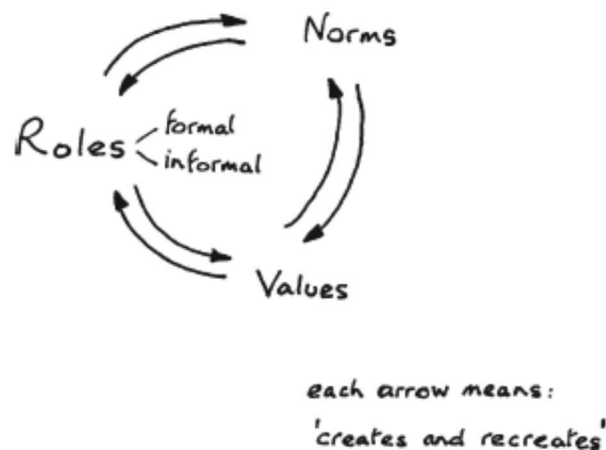
Their purpose of Analysis 1 is to consider these three roles throughout the process and to ensure the relevant identified parties are always informed of the issues that affect them as stakeholders. For instance, a big issues is the aspiration of the client in causing the interventions in the problematic situation. Although this is very important Checkland notes that this is not the only important part of the process. The relationships between these three parties are shown below as part of analysis 1. Important to remember, the emphasis is placed on the roles and not necessarily the individual as this can lead to the same individual assuming several roles and causing confusion for the practitioner (Checkland & Poulter, 2006). He further emphasizes the use of "roles" rather than naming particular people. This is because a person can have more than one role and people can also change or abandon roles. Another important part of the intervention is to make sure the appropriate resources are in line with the ambition of the investigation.

Social context – analysis 2

A basic consideration for changing a problematic situation is to have a clear idea about what you are intervening in and have an idea of the "social reality" about the situation (Jackson, 2003, p. 205). The analysis 2 in SSM looks specifically at understanding the cultural aspects of the problematic situation. In order to understand what encompasses feasible interventions, it is important to understand the cultural basis on which such interventions will be based. Interventions cannot only be desirable but must also be culturally feasible.

To understand this aspect, analysis 2 looks at three components of the situation: roles, norms and values.

Checkland and Poulter (2010, p 215) argues that these three aspects are interrelated and are never static, with each element continually recreating the other.



Appendix A Figure 3: Interrelationship between 3 SSM Entities (Checkland & Poulter, 2010, p 215)

The three aspects are described as follows (Checkland & Poulter, 2010, p 215):

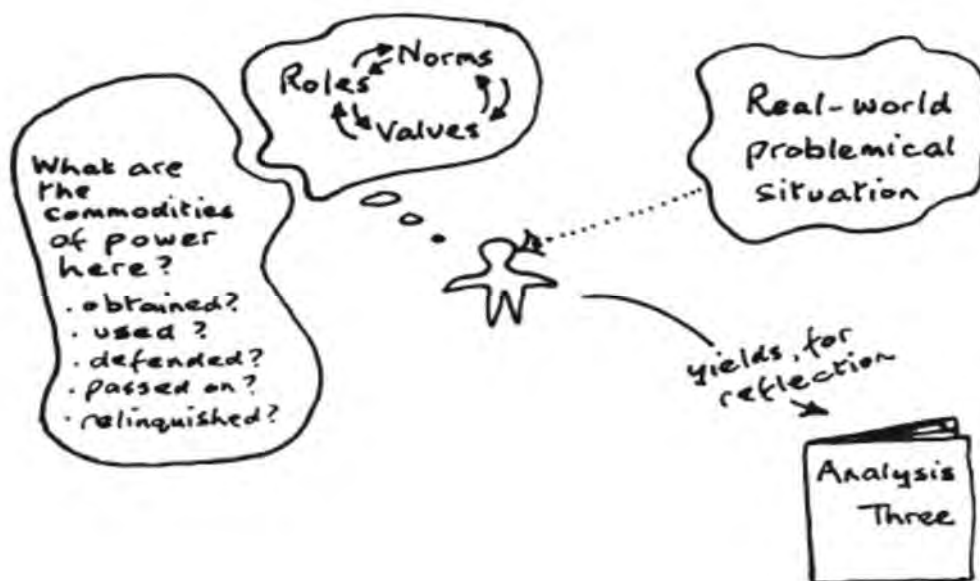
Roles: Roles are social positions which mark out differences within different groups such as organizations and companies. These can be both formal like CEO, department heads and sections heads but also local informal roles like a "boat-rocker" who speaks his mind without further ado. The importance of these informal roles is not to be taken lightly, they can tell a lot about the given culture.

Norms: Norms are expected behaviors that are associated with a role and help to define it. For example if you were to meet the headmaster in a school and she was laid-back in her chair in her office with her feet up on her table while picking her teeth, most people would probably consider that to be outside the norms of a headmaster.

Values: Values are the criteria by which behavior-in-role get judged. There is often no shortage of people discussing other people's behavior in their role within organizations. Like in the example above with the headmaster one opinion might be "she's a lazy and irresponsible headmaster". With this explanation we can conclude that all three elements are linked together and also that they are not static, instead very much changeable as time passes by and the world moves on.

Analysis 3 – Political

The third analysis that SSM deals with is the relationship of power within the problematic situation. This is an important aspect as it also affects the notion of “culturally feasible”. The distribution of power amongst the stakeholders and how this is intertwined and understood in the context of the problematic situation is critical for the establishment of feasible interventions. The politics of power in the situation is important to consider as left unchecked, it will cause destructive factions amongst stakeholders. Checkland & Poulter (2010, p 217) provides the following useful depiction for the consideration of politics and power within problematic situations.



Appendix A Figure 4: Analysis 3 of SSM (Checkland & Poulter, 2010, p. 216)

Consideration such as how power is distributed, how it is built up, contained and passed onto others is considered as part of this analysis 3.

Building activity models

To question real world situation, SSM uses activity models which are built from purposeful activity. To gain clarity about the situation we cannot consider all viewpoint simultaneously, clarity is gained by considering each perspective separately. Naturally each model will be based on a specific worldview of the situation. Activity models are used to ensure the enquiry process is structured and not random. To construct this model we need a statement describing the activity system to be modeled. The descriptions are referred to as Root Definitions (RD) in SSM.

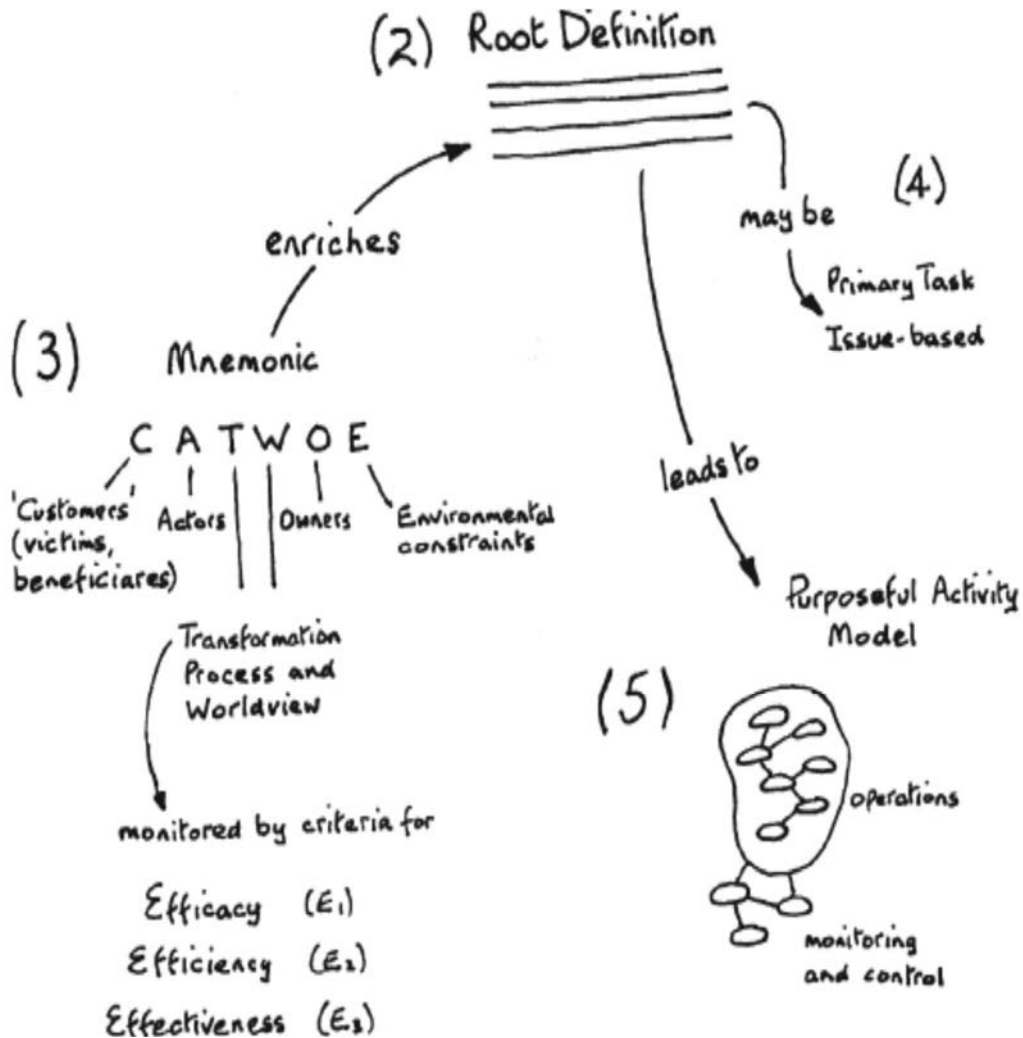
The root definition is a definition of the system built up from a SSM mnemonic – CATWOE. This mnemonic is used to enrich the root definition of each situation and Checkland suggests the starting point is a transformation (T). From this particular perspective, we consider what is actually transformed from the input system to the output of the system? (Checkland & Poulter, 2010, p. 221). Once this is done the other elements of CATWOE can be considered as follows (Checkland & Poulter, 2010, pp. 221-222):

- Customers who (or what) benefits from this transformation;
- Actors who facilitates the transformation to these customers;
- Transformation from “start” to “finish”;
- Weltanschauung - what gives the transformation some meaning?
- Owner to whom the “system” is answerable and/or could cause it not to exist;
- Environment that influences but does not control the system.

In order to ensure the definition flows from the transformation it is suggested to follow the following order (Checkland & Poulter, 2010, p. 223):

1. Transformation
2. Weltanschauung
3. Customer
4. Actors
5. Owners
6. Environment

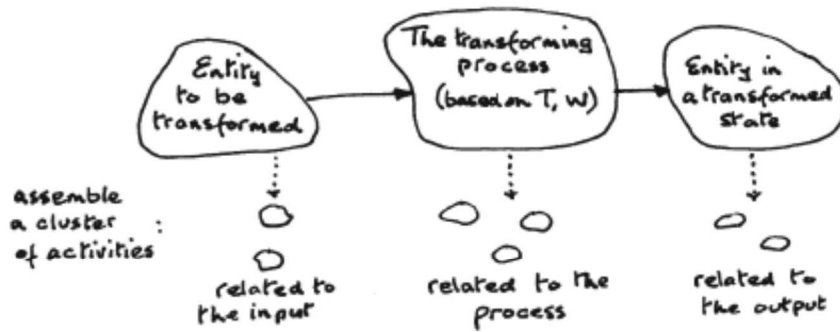
Obviously even the same system can have different perspectives and thus different CATWOE's and different root definitions. This is one of the many reasons SSM is an iterative process. Once a root definition has been stated the activity model can be structured based on these root definitions. This process is outlined below (Checkland & Poulter, 2010. p 221).



Appendix A Figure 5: Building a Root Definition (Checkland & Poulter, 2010. p 220)

The diagram below shows the steps to taking building purposeful models (Checkland & Poulter, 2010. p 220)

2. Starting from T and W name the purposeful action as a transformation:



3. Structure the activities according to dependency of one on another



4. Add the monitoring and control activities



5. Check the mutual dependency of guidelines and model

Appendix A Figure 6: Building Purposeful Activity Models (Checkland & Poulter, 2010. p 225)

Once the model of purposeful activity has been completed the next step is to define interventions.

Defining action to improve the situation

Checkland (1981) suggests that systemic changes can come in three forms:

- i. Structures – This could involve organisational structures, functional reporting structures or functional responsibility;
- ii. Procedure – these are changes to dynamic elements, the processes of reporting and communicating information, verbally or on paper, all the activities which encompasses this within organisations;
- iii. Attitudes – this includes not just the traditional changes in attitude but also changes in influence and expectation people have of behaviour appropriate to various roles as well as readiness to class behaviour as either good or bad;

By comparing the purposeful activity model to the real world situation the practitioner can identify feasible interventions in these three areas to improve the situation taking into consideration insights gained through the three analysis processes. Checkland outlines the process in seven steps.

Stage 1 & 2: Expression stage

The first two stages is an expression stage that is used to the fullest, richest depiction of the problematic situation. The idea during these stages is to depict the situation so that a range of outcomes can be possible. This is done by collecting as many perceptions as possible and not taking any specified direction.

Stage 3: Root definition of relevant system

Stage 3 is concerned with exploring the different diverse systems identified in stage 1 & 2. It then builds root definitions and purposeful activity systems for each system using the system transformation as a basis.

Checkland (1991. p 36) stated the aim is to draw out the following:

- i. What is to be done?
- ii. Who is to do it?
- iii. Who is to benefit or suffer?
- iv. What environmental constraints limit the activities and actions?

This is achieved by formulating the root definition around the CATWOE mnemonic.

Stage 5: Comparing models and reality

Once the purposeful activity models have been designed, this stage of SSM concentrates on generating debate about possible interventions that can bring about change. This is done by making a comparison between the conceptual model and the real world situation.

Checkland suggests four ways in which the comparison can be done:

- i. Having an informal discussion with stakeholders around the difference between the model and the real world situation;
- ii. Using a structured questioning process involving a matrix that questions each activity individually;
- iii. Using a scenario writing process based on hypothetically operating the activity system to see future behaviour;
- iv. Modelling the real world using the same structure employed in the conceptual world to identify differences between the two to engage in conversations.

Stage 6 and 7: Implementing 'feasible and desirable' changes

The last two steps look at implementing feasible interventions. After several iterations, the comparison of the real world and the conceptual model should lead to identifying several differences.

Implementing intervention in the real world situation means affecting changes that are both desirable and culturally feasible. Using the insights gained from the analysis 1 to 3 the practitioner can use these final stages to generate useful conversation around what constitutes feasible and culturally viable interventions.

The following section discusses Ulrich's Critical Systems Heuristics as a supplementary methodology used for highlighting specific aspects about the research that are not well emphasised by SSM.

CRITICAL SYSTEMS HEURISTICS

Critical systems heuristics is the first systems approach that looks at dealing with possible unfairness in society by involving all the possible stakeholders relevant to the decision making process (Ulrich & Reynolds, 2010). It seeks to recognize an emancipatory approach to problem solving and it questions the manner in which solutions have been designed and who were involved in their generation.

As part of this research CSH will not be used directly as a tool for intervention but rather as a tool for informing boundary judgments about the problematic situation described in chapter 1. Specifically, I seek to highlight boundary judgments that effects the way power and political aspects of the research is approached, this is an aspect for which SSM is criticized and CSH is better equipped to handle.

Ulrich developed 12 questions as part of his CSH methodology that highlights these boundary judgements. The boundary questions developed by Ulrich highlights conflicting perspectives stakeholders bring into the situation about the situation. Ulrich & Reynoldts (2010, p. 245) states that “by better understanding people’s difference perspectives, we are able to better handle them more productively”. By making known the different perspectives of multiple perspectives, it allows for the promotion of mutual understanding.

Ulrich divides his questions into four areas with three questions each making up his 12 questions approach (Ulrich & Reynolds, p. 244):

Sources of motivation

- i. Who is (ought to be) the client or beneficiary? That is, whose interests are (should be) served?
- ii. What is (ought to be) the purpose? That is, what are (should be) the consequences?
- iii. What is (ought to be) the measure of improvement or measure of success? That is, how can (should) we determine that the consequences, taken together, constitute an improvement?

Sources of power

- i. Who is (ought to be) the decision-maker? That is, who is (should be) in a position to change the measure of improvement?
- ii. What resources and other conditions of success are (ought to be) controlled by the decision-maker? That is, what conditions of success can (should) those involved control?

- iii. What conditions of success are (ought to be) part of the decision environment? That is, what conditions can (should) the decision-maker not control (e.g. from the viewpoint of those not involved)?

Sources of knowledge

- i. Who is (ought to be) considered a professional or further expert? That is, who is (should be) involved as competent provider of experience and expertise?
- ii. What kind expertise is (ought to be) consulted? That is, what counts (should count) as relevant knowledge?
- iii. What or who is (ought to be) assumed to be the guarantor of success? That is, where do (should) those involved seek some guarantee that improvement will be achieved – for example, consensus among experts, the involvement of stakeholders, the experience and intuition of those involved, political support?

Sources of legitimation

- i. Who is (ought to be) witness to the interests of those affected but not involved? That is, who is (should be) treated as a legitimate stakeholder, and who argues (should argue) the case of those stakeholders who cannot speak for themselves, including future generations and non-human nature?
- ii. What secures (ought to secure) the emancipation of those affected from the premises and promises of those involved? That is, where does (should) legitimacy lie?
- iii. What worldview is (ought to be) determining? That is, what different visions

Using these twelve questions allows for critique around the establishment of the system boundary and the selection of stakeholder involved in the system. It supports “the involvement of uninvolved people” and “reveal hidden boundaries imposed onto them by practices which are not as reflective” (Ulrich W. , 2003, p. 333). In this way the methodology supplements the shortcomings of SSM by dealing with boundary judgements about the existing system.

The following section discusses Beer’s Viable Systems Model and how it is implemented in this research.

VIABLE SYSTEMS MODEL

In this research the VSM is used particularly to investigate the viability of the communication flow channels within the RHEST and the effectiveness and deficiencies of the system. Beer (1979) claims the model provides a framework for designing flexible, adaptable systems that balance external and internal perspectives and long and short-term thinking.

Viable Systems Model

Stafford Beer defines cybernetics as the science of effective organisations. Beer reasoned that if he wanted to further understand the principles underpinning viability in complex organisations it would be useful to take a known – to – be – viable – system as a model. He reasoned that the human body is the richest and most flexible viable system (Clemson, 1984).

Using the VSM, a social system is viable if, and only if; its structure fulfils a number of requirements, which the model specifies. According to the model, a viable or sustainable organizational system must consist of five managerial subsystems and their interrelationships with each other (Clemson, 1984).

- i. The operation – the subsystems which do all the primary activities;
- ii. The environment – all the parts outside the system which have direct relevance to the system in focus, including aspects of an unknown future;
- iii. The meta system – the systems providing services to the operational units coherence. Its purpose is to provide logical closure to the viable system and balance internal and external forces.

For any system to be feasible the three systems must act in harmony, this balance is the principle of the VSM diagnosis (Clemson, 1984). The VSM consists of five interrelated subsystems, with each subsystem containing 5 individual sub systems imbedded. The five subsystems are explained below:

System 1: Management of a basic subsystem

This subsystem contains the basic day to day activities within the VSM. It is regarded as the most important subsystem in the VSM (Clemson, 1984). It is responsible for implementing the activities which speaks directly to the purpose of the organisation. The level of empowerment within this system relates directly to the adaptive behaviour of the VSM. It is in itself a viable system and is able to survive as a single entity independent of the rest of the VSM. The viability of the VSM is better maintained by balancing adhesion between S1 activities and autonomy of each S1

(Heylighen & Cliff, Principia Cybernetica, 1992). Although this system must be highly autonomous it must still function as part of the larger system.

System 2: Coordination of subsystems & attenuation of oscillations between them

The activities taking place in system one will cause various fluctuations in the systems. These fluctuations can at times also cause conflicts and some instability. The function of S2 is to coordinate the activities in S1 to minimise and absorb these fluctuations and oscillations and thereby reduce any instability due to these fluctuations. The coordination function consists of various rules and regulations that ensure that the different parts in system 1 work in unison (Clemson, 1984). The activities in S1 will also cause massive amounts of communication and information to be generated, S2 also acts as an attenuator for this between S1 and the other systems.

System 3: Operative management of a collective of subsystems

S3 has the responsibility of managing the day to day activities produced in S1; it functions indirectly through co ordinations and audit. S3 provides synergy and ensures that the resulting performance of the entire S1 is far better than it would be should the units operate in isolation (Beer S. , 1979).

S3 also ensures that the independent actions of S1 do not threaten the viability of the rest of the system. The information flow between S3 and S1 tends to be one way from S3 only. The information channels between S3 and S2 is usually better developed and more frequently used. S3 also acts as a monitoring agent to ensure S1 adheres to rules set out by S2.

System 4: Management for the long term, relationships with the overall environment

Once a stable S1 is developed, the challenge is to ensure it can be sustainable in a changing environment.

The function of S4 is to summarise the relevant information from the outside environment to ensure the system variety is able to match those of the outside environment. Its primary function is to monitor the outside environment and feed the information into the decision making levels to ensure system viability (Clemson, 1984).

For viability and survival, the organisation must match the variety of the outside environment it faces and be able to model a likely future state, this is done with the inputs from S4. S4 relates this information to both S3 and S5 for decision making and examining long term decision making. To work optimally, S4 must know the management structure and information flow channels of the internal organisation very well.

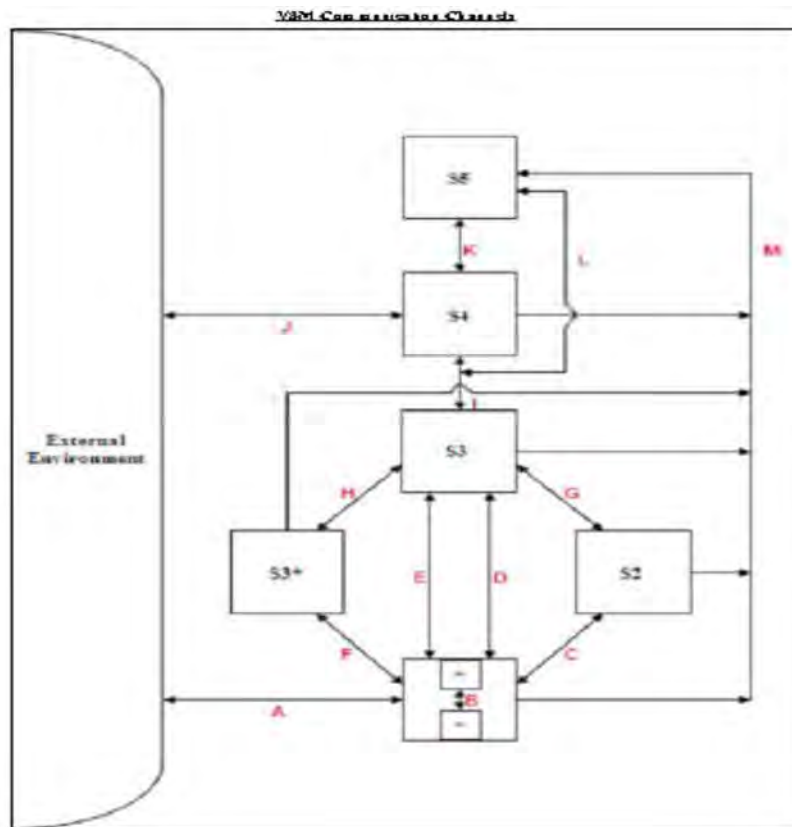
System 5: Normative management, corporate ethos

Finally the whole organisation must be brought together. S5 sets the purpose and direction of the organisation and is also responsible for providing the regulating policies and governing rules for the system. This is done incorporating all the information of its internal and external environment received from S4. The policies generated at S5 are implemented through S3 and information channels between these systems must be well defined and well-structured for system viability. This level deals with the highest amount of variety in the system and often has to deal with conflicts between S4 and S3.

Clearly S5 deals with the largest amount of variety, to deal with this increase in variety, Beer (1979) recommends employing integrated teamwork and organising itself as an elaborate interactive group of managers. S5 may at times also enhance its variety by employing consultants or experts. S5 also ensures that policy and strategies incorporates a balance between creativity (from S4) and feasibility (from S3). In a democratic organisation, S5 should also present the views of all the stakeholders. (Beer S. , 1979)

These five subsystems work in unison to ensure organisational viability (Clemson, 1984). Any deficit in this VSM structure will cause instability in the viability of the organization.

In his doctoral thesis entitled, Information Management for Viable Organisations, Gary Preece (2010) develops a framework that can be used to help organisations design more effective information systems through the use of the VSM. Preece (2010) acknowledges the shortcomings of the VSM in investigating information inadequacies in a system and his thesis concentrates on overcoming these shortcomings by investigating how the model deals with information flow channels within the organisation. Preece uses a simplified VSM diagram to identify information channels within the system in order to understand how information sharing occurs within the VSM. The information channels within the VSM are shown in Figure 7 below:



Appendix A Figure 7: VSM Showing Communication and Information Flow Within the RHEST

What was particularly useful for the application in this research is how Preece identified information sharing within a viable organisation at multiple levels of recursion.

Using this model, I investigate the communication and information flow within the RHEST.

This concludes the description of the VSM. This is the end of Appendix A which describes the three systems approaches used in this research.

APPENDIX B: WORKSHOP TRANSCRIPTS

Workshop 1

Date:	16 August 2013
Time:	15H00
Venue:	Lion Boardroom
Attendants:	Cape Town Beneficiaries Only
Facilitator:	Researcher
Attendance	41/59 beneficiaries

Defining boundaries and the problematic situation

The objectives of the workshop were to achieve three outcomes:

- i. Introduce the beneficiaries to the research and the 7 steps of SSM
- ii. Get a better understanding of the problematic situation
- iii. Define the purpose of the RHEST as perceived from the stakeholders present

The first workshop was used as an opportunity to introduce beneficiaries to the SSM process and also present my rich picture to the beneficiaries for comment. The workshop was held in the Cape Town office and as such only Cape Town beneficiaries could attend. The completion of the CSH questions helped me to identify the relevant stakeholders that should have attended the workshop session. Significantly, CSH assisted me with the realisation that a diverse section of the beneficiaries should be targeted especially, less influential and more financially needy beneficiaries, the so called “poorer” beneficiaries. This decision also directly impacted the ethical considerations and power relations within the session which significantly contributed to the richness of the conversation.

Unfortunately due to time and project constraints not all of the beneficiaries could attend the session. Also significantly, none of the company directors or trustees could attend the meeting either. Initially this was thought of as a substantial loss but later beneficiaries revealed that they could discuss issues more openly given that some beneficiaries had reservations discussing such issues with trustees present. The chairman of the trust could not attend this workshop either.

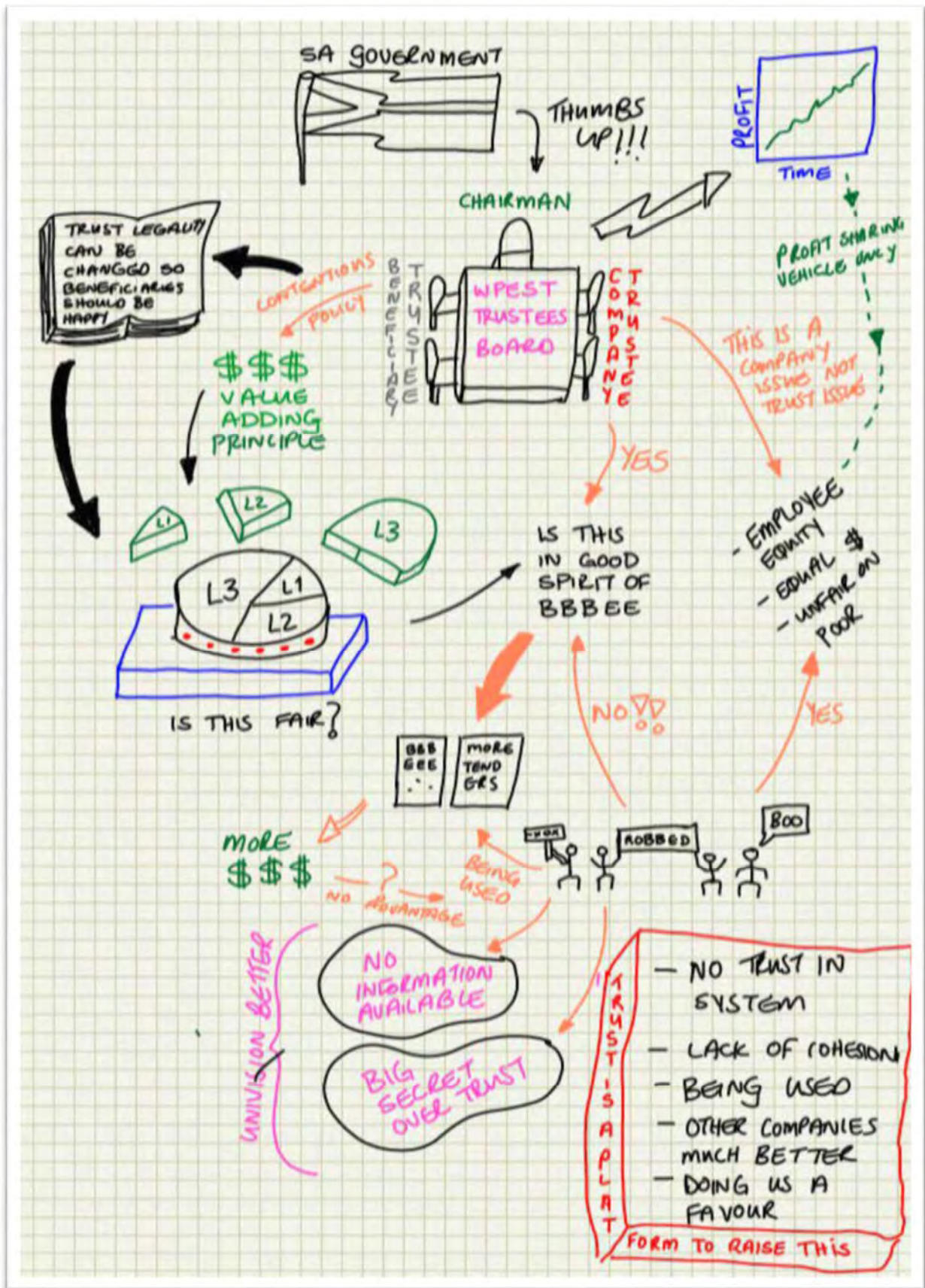
The workshop was only scheduled for one hour but lasted closer to two hours. The first hour of the workshop was used to give beneficiaries a brief overview of the SSM and what the methodology encompass. For ease of understanding the methodology was explained using ‘company language’ and not necessarily systemic language.

After a brief introduction to SSM, I emphasised the importance of the “problematic situation” and not necessarily a particular problem. This led to the introduction of the situation rich picture.

I explained that this rich picture was compiled using various inputs I had access to these included:

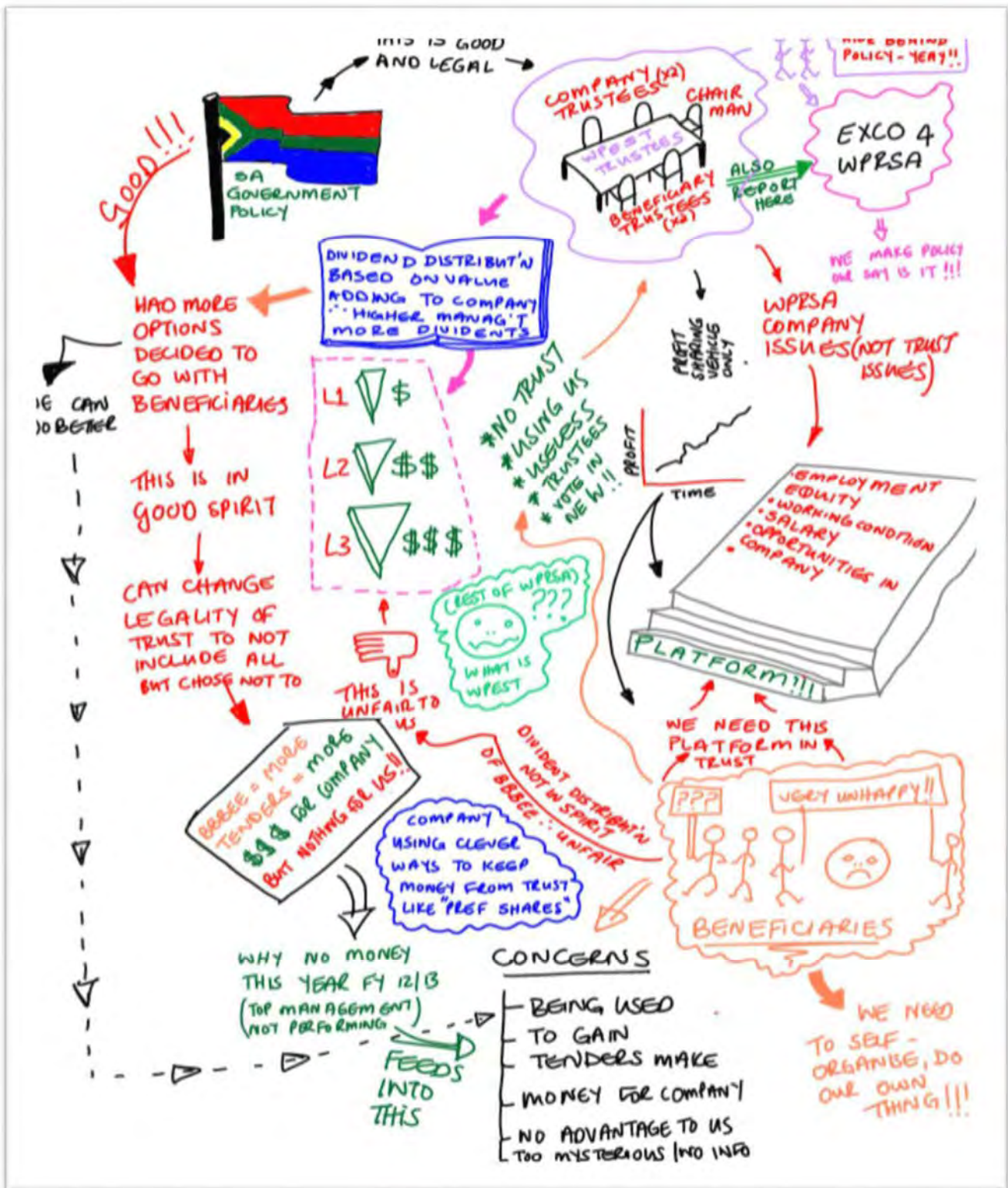
- i. Issues raised through emails send by beneficiaries;
- ii. Issues raised in memorandum’s to the trust secretary (see Appendix H);
- iii. Issues raised in meeting and AGM’s;
- iv. Issues raised in trustee meetings;
- v. Various issues raised as part of memorandums send to trustees from beneficiaries;
- vi. Various individual emails send to the author as trust secretary highlighting issues beneficiaries wanted resolved;
- vii. Conversations held with various stakeholders including trustees, beneficiaries, company directors and various operational managers.

Many of the beneficiaries felt the depiction of my original rich picture to be very accurate but incomplete and some additional items were added or existing items were further highlighted. The initial rich picture presented at the workshop is shown on the following page:



Appendix B Figure 1: Initial Rich Picture Presented To Beneficiaries

Using the various inputs assembled during the workshop, which was conducted as part of an open discussion, and after various iterations of the rich picture the final rich picture was agreed as below:



Appendix B Figure 2: Final Rich Picture Agreed with Beneficiaries

During the discussion for the compilation of the rich picture various issues were repeatedly highlighted in different forms. Many beneficiaries raised various concerns and in depth additions which resulted in a very diverse and rich conversation amongst the beneficiaries present. I also used this opportunity to note the following remarks made by beneficiaries to capture the problematic situation as richly as possible.

- i. Poor beneficiaries are being marginalised by the scoring system;
- ii. There is no equality within the trust (referring to the scoring system);
- iii. They (the trustees) never tell us anything;
- iv. How the secretary was appointed and elected, why didn't we know about this?
- v. How are decisions made within the trust?
- vi. I do not even know who the chairman is;
- vii. How can we have a white chairman of a black trust?
- viii. This chairman thing is too vague;
- ix. The trustees only make decisions that benefit the company;
- x. This trust is only used to exploit blacks to win tenders;
- xi. We will never see any money out because no one even understands how the pref share works;
- xii. Is this trust even legal?
- xiii. There is no advantage to blacks;
- xiv. We must boycott this trust;
- xv. Is there not a policy about the trust?
- xvi. The trustees are useless;
- xvii. The scoring system is undemocratic and unrealistic;
- xviii. The rest of the company doesn't even know about the trust;
- xix. How can EXCO control our trust?
- xx. The rich are enriching themselves further;
- xxi. There is no transparency;
- xxii. The trustees are irresponsible and hide behind company policy;

The second objective of the workshop was to determine the stakeholder's perspective on the purpose of the system. Given that only beneficiaries were present their views were very much perceived from a specific point of view.

I posed the question on system purpose and received the following responses.

Beneficiary 1: ‘ My feeling is that the purpose of the current system is to serve the company in withholding funds from beneficiaries especially with this preferable share mechanism but still benefit from the legislation....i think the purpose of the system should be to financially uplift needy beneficiaries instead of what is going on now’

Beneficiary 2: ‘...the purpose of the system should be to help us with sharing company profits financially empowering those who need it....I think currently the purpose of the system is to help the rich get richer if any money is paid out at all’

Beneficiary 3: ‘ the current purpose is to help the company score more BBBEE points....the purpose should be to uplift previously disadvantaged individuals by sharing profits with everyone equally, or even more so advantage poorer beneficiaries more than others’

The attendees could not find a consensus on the current purpose of system but decided that the following purpose was the most accurately described:

Current purpose

The current purpose of the RHEST is to assist the company in maximising their BBBEE score and act as an attraction tool for black professionals to join the company.

Beneficiaries present argued that the current purpose of the trust was not congruent with government’s objectives and that the company is manipulating the trust to maximise their own advantage but “does not care” about especially the poorer beneficiaries and the atrocities they had to endure under apartheid. The attendees were able to find consensus on what they thought the agreed purpose of the trust should actually be:

Proposed purpose

The purpose of the RHEST should be to fairly distribute dividends and financially empower especially the poorer beneficiaries.

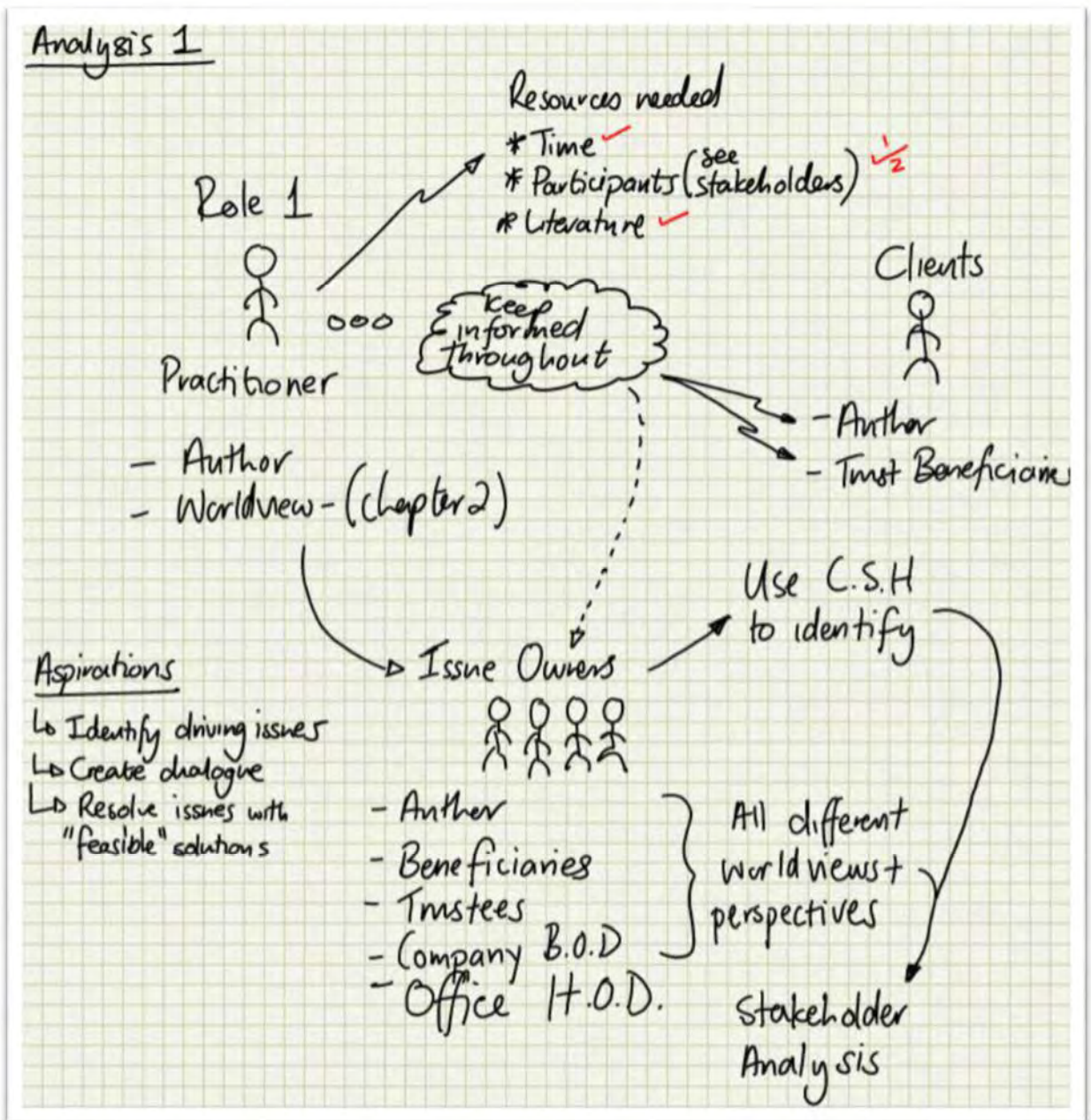
In an interview conducted with one of the senior directors, shown in Appendix E, who is also a company appointed trustee, he revealed that the company Board of Directors has three objectives for the trust.

- i. To maximise the company's BBBEE scoring so as to assist the company in winning bigger tenders, making more profits and thus profiting both the company and the trust;
- ii. To act as a tool for retaining and attracting the top talented black professionals in the industry, this third objective also directly relates to the value adding principle enshrined within the current scoring system;
- iii. To financially empower and uplift previously disadvantaged individuals within the company.

Significantly this is also the order in which the company viewed the purpose of the trust. Thus it became evident early on in the research that major stakeholders did not have an alignment of system purpose. The system purpose became especially important later on in deciding where system intervention should be targeted and how feasible changes are to be implemented.

Using this unstructured conversation as a catalyst, I also recognised various concerns raised by the beneficiaries. The concerns identified was analysed using the data analysis process and was presented to beneficiaries at the next workshop for discussion.

The workshop 1 also allowed for an opportunity to complete an analysis 1 and analysis 2 as outlined by Checkland and presented on the following page.

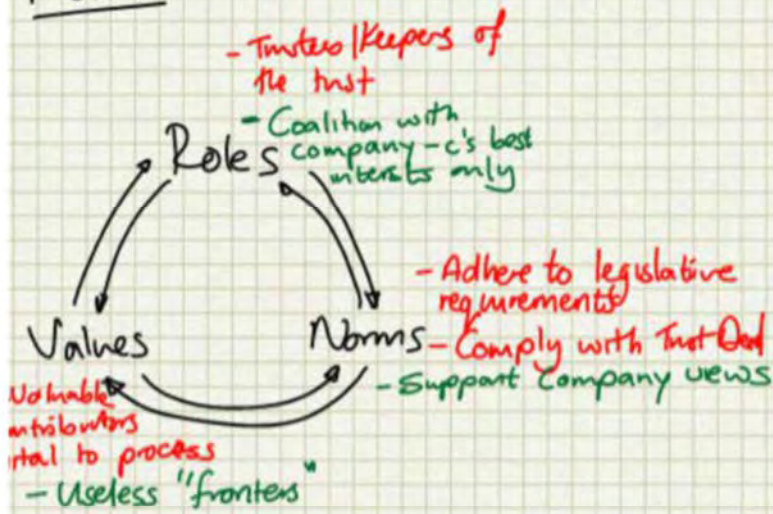


Appendix B Figure 3: Analysis 1 Conducted During Workshop 1

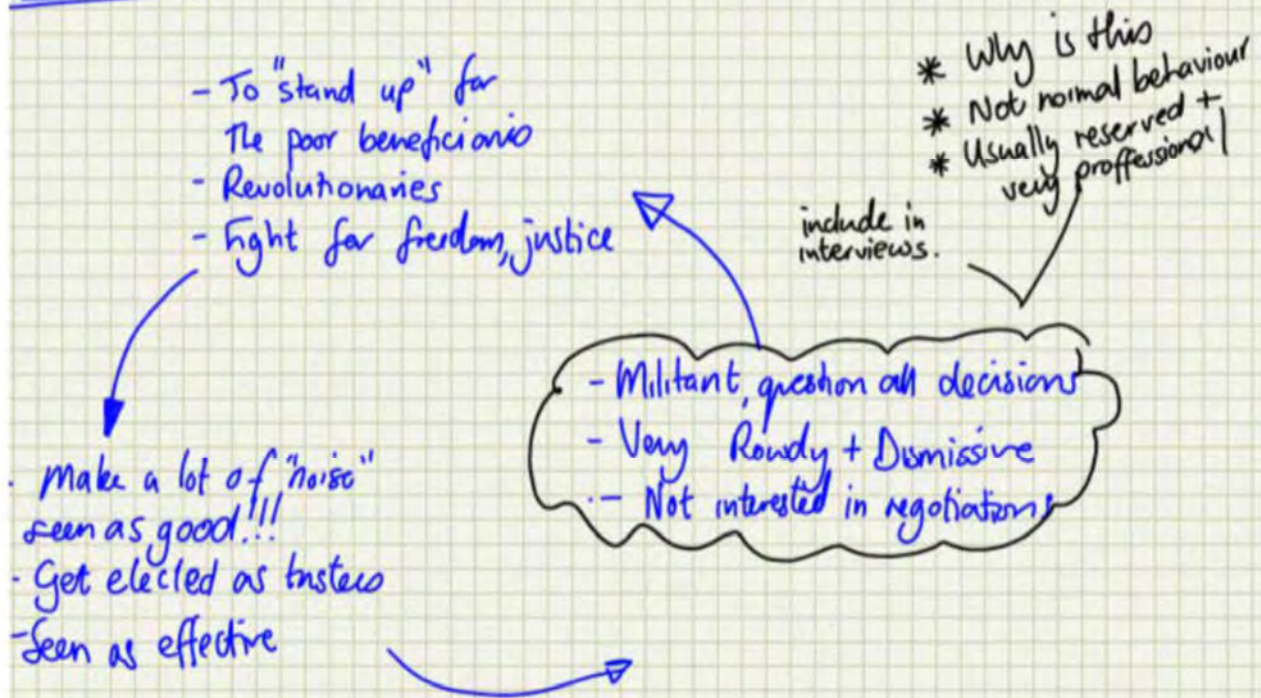
Given the social system and the significant power relations present within the system, I felt that Checkland's analysis did not significantly lend itself towards adequately describing this situation and the struggles within the trust and I decided to use CSH to further analyse and understand this important relationship. A complete CSH analysis is performed in Appendix F.

Trustees

Analysis 2



Beneficiaries



Appendix B Figure 4: SSM Analysis 2 Conducted During Workshop 1

Power Commodities (Analysis 3)

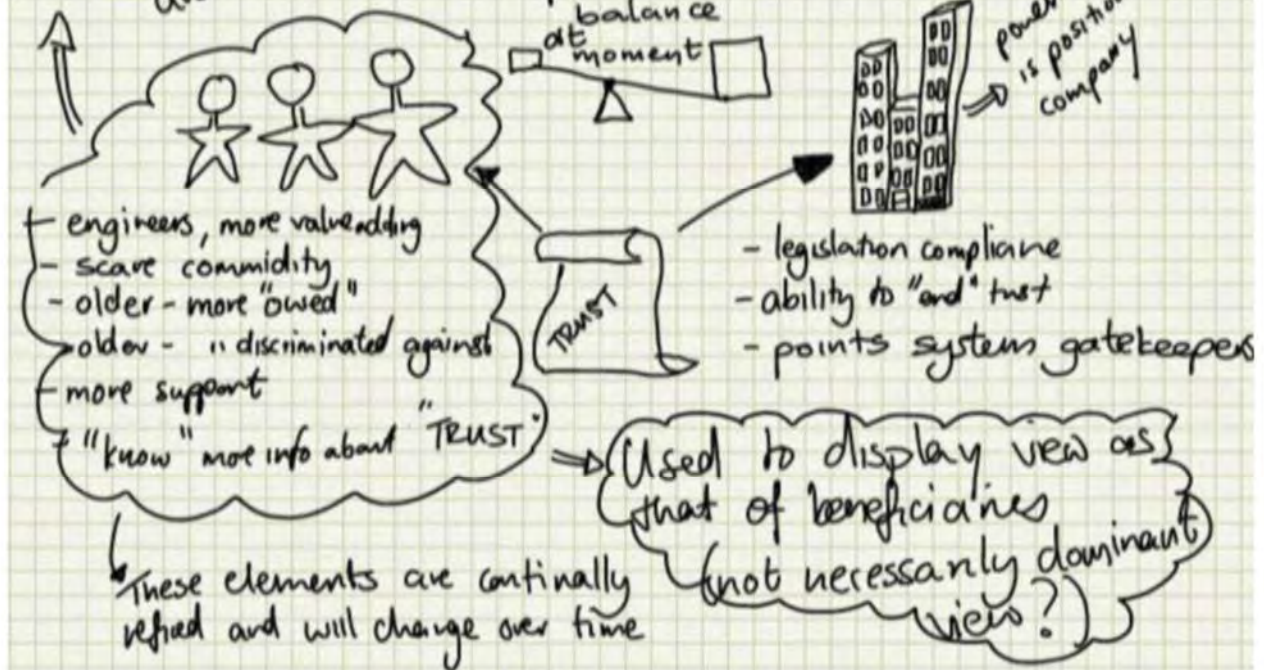
How is it - obtained

- used
- defended
- passed on
- relinquished

* Culturally Feasible changes

Those supported by

power commodity
↳ having intellectual authority and reputation



Position - No senior management as they are only interested in the company's interest

evolve into → P2: Senior management knows best how to "manage" company BOD in favour of trust ∴ elect only senior management.

Appendix B Figure 5: SSM Analysis 2 Conducted During Workshop 1

The power distribution within the system was divided between three groups: the “beneficiaries”, the “trustees” and the “company”. Each group have a distinct position in the power hierarchy of the trust. The three groups are analysed as part of the research using Checkland’s methods.

Company Board of Directors

The Board of Directors obtains its power through the fact that they are assigned by the company and shareholders. In terms of the trust the Board of Directors is the only authority who can change or alter the trust deed. The trust deed is the document by which the trust is governed and managed by the trustees. It is the most important document in the trust and by virtue of its authority it gives the Board of Directors a very powerful political position within the trust. The only manner in which some of this power can be passed along to either the trustees or the beneficiaries is by incorporating it into the trust deed. The power balance is massively in favour of this stakeholder. The stakeholder analysis and interview with one of the board members revealed that the primary concern of the Board of Directors is to act in the interest of the company. All the current RHEST trustees are also directors on the company Board of Directors, which could result in potential conflict of interest for the RHEST as currently the political balance favours the company.

RHEST Trustees

The trustees act as the guardians of the trust and are empowered only through the trust deed. The trustees cannot act outside the trust deed and cannot make any decisions which are not governed by the trust deed. Trustees may manage the trust however they see fit as long as it is within the parameters of the trust deed, which does leave some room for discretion on certain areas only. Beneficiaries elected as a trustee by beneficiaries also have the opportunity to become a director on the company Board of Directors. However, this is not an automatic selection and is at the discretion of the Board of Directors only. Only one company elected trustee must act on the Board of Directors, it is up to the discretion of the board whether both elected trustees may act as directors on the Board of Directors. Trustees have very little power but the position provides much prestige and opportunity for advancement within the company political spheres and it is therefore a very coveted position, especially by senior beneficiaries who see it as an opportunity to advance their status and be recognised more pronouncedly within senior management circles.

Beneficiaries

The power and political dynamics within the beneficiaries themselves is very complex. During the workshop session it became very evident that only certain beneficiaries were raising issues and other were simply in agreement with these “senior beneficiaries”. Importantly, I realised that all of these “senior beneficiaries” were older engineers and senior management figures within the company. Other beneficiaries seemed content to let these beneficiaries talk on their behalf. In later discussion it was revealed that this source of power came from the fact that these beneficiaries were more “valued” in the trust due to the nature of the scoring system. Furthermore, their educational background intimidated some of the “minority beneficiaries”. The younger engineers, although not intimidated by the “knowledge factor” consigned due to the fact that many of the older beneficiaries felt they were “owed more” due to the fact they were more discriminated against by the past apartheid regime and that younger beneficiaries did not suffer under this regime and is therefore less owed. Importantly though, it seemed that these senior beneficiaries were championing the concerns of the “minor beneficiaries” which at first seemed at their own expense within the trust given the current scoring system. However, later discussion suggested that some of these senior beneficiaries were using these items to gain favour with these minority beneficiaries and gain weight, in numbers for voting right, of the “minority beneficiaries” to progress their own advances towards becoming trustees and potentially being able to advance their own agenda’s through a more powerful position, including personal career advancement.

Perspective within the Trust

From my perspective of the comments received at the workshop, there seemed to have formed two distinctly different perspectives within the trust.

The first perspective seems to advance the idea that the trust is nothing but a profit sharing mechanism in terms of affecting the beneficiaries. The purpose of the trust is to distribute dividends to beneficiaries should such dividends be available. Furthermore the trust is a mechanism that is used by the company to maximise its BBBEE scoring and so benefit from better projects with higher profits which equates to more financial benefit to beneficiaries. This perspective believes the current trust system is more than fair and should not be changed. It is believed that the trustees, some senior beneficiaries and the company Board of Directors beliefs in this perspective.

The second perspective believes the trust should be used as more than just a profit sharing mechanism. The group of beneficiaries driving this perspective believe the trust should be used to drive transformation within the company and beneficiaries should be recognised as equals within the scoring system of the trust. They believe that the current points system should be discarded and beneficiaries could be awarded equal points however, ideally, this group believes that less privileged beneficiaries should be awarded more points than those already being benefitted by larger salaries and that the trust should not be used to supplement salaries but rather as a financial empowerment tool for employees such as cleaners, gardeners and lower paid jobs.

The following three figures depict the additional field notes generated during the workshop. It depicts the comments made by beneficiaries and the actions observed during the interaction of stakeholders present at the meeting. This data is used specifically for the coding process in Appendix C.

Comments from beneficiaries

Poor beneficiaries are being marginalised (anger)

No equality within trust

They never tell us anything

How was trust secretary elected

Who is the chairman, what does he do? (vague position)

A white chairman!!!

Trustees act like they being paid by company, they only make rules to help company

Trustees are useless

The people in company don't even know what the trust is

The rich people in the company are making themselves more rich with the thing

Actions observed

Plenty of agreeing with issues mentioned in emails and memorandums

Beneficiaries approve of my rich picture description

Wide ranging issues being mentioned - Lots of screaming and emotion about issues being mentioned especially the scoring system

There is a plenty of mistrust especially toward trustees

Senior beneficiaries gets plenty of support especially those advocating equality in scoring system

Workshop 1 Field Notes

16/08/13 page 2/2

Comments

- There is too much secrecy, cloak and dagger business here
- There is no transparency
- Trustees are irresponsible
- They always give same excuses and use policy as excuses

Boycott the trust

No advantage to blacks

This thing is used to exploit blacks

Scoring system is undemocratic and unrealistic

Is the trust legal, how is it suppose to work?

How can the BOB control the trust?

Actions observed

Plenty of questions regarding the trust especially about structure.

Appendix B Figure 7: Workshop 2 Field Notes

Purpose

Ben 1

① serve the company by withholding funds from us especially with the pref share thing but the company benefit from the legislation. The purpose should be to financially uplift the needy beneficiaries instead of this

Ben 2

① It should help us with sharing profits each year and financially empowering those who need it. The current system helps rich people get richer.

Ben 3

① Now the system only helps the company score BBBEE points it is suppose to help previously disadvantaged people by sharing profits equally for everyone. If anything the poorer beneficiaries should get more not less.

Appendix B Figure 8: Workshop 3 Field Notes

Workshop 2

Date:	6 September 2013
Time:	14H00
Venue:	Lion Boardroom
Attendants:	Cape Town Beneficiaries/Trustees
Facilitator:	Researcher
Attendees	38/59 Beneficiaries

During the period between the first and the second workshop I compiled the data and using the data analysis techniques was able to recognise several driving concern issues. As part of the data analysis I used information gathered during the first workshop and other sources to conduct a data analysis to recognise several problematic themes within the trust. This data analysis is shown in Appendix C.

Purpose of workshop

The objectives of the workshop were to present beneficiaries with the outcomes of the coding process to obtain beneficiary opinion and agreement over the most with pertinent issues within the RHEST.

Issues identified using data analysis

Using the analysis described in Appendix C the following problematic themes were identified:

- i. Inequalities of the scoring system;
- ii. Poor communication and information flow channels within the trust;
- iii. Lack of trust in the board of trustees and structures within the trust;
- iv. Exploitation of beneficiaries using the BBBEE scorecard for the benefit of the company;
- v. Uplifting the beneficiaries through financial empowerment;
- vi. High expectations from beneficiaries ;
- vii. Concentration of power within the trust;
- viii. Differences between the company scoring systems and government's legislative framework;

- ix. Poor management of trust structures.

After a lengthy and healthy debate stakeholders present agreed that the following two issues were the most pertinent driving issues within the RHEST:

1. Inequalities of the scoring system used within the RHEST;
2. Poor communication and information flow channels within the trust.

It became clear; whilst the discussion was evolving that the scoring system within the trust was a massive point of contention. Some of the comments from beneficiaries are highlighted below.

Beneficiary 1: ' The scoring system is seen as a another way of oppressing the minority beneficiaries, we are being discriminated against because we didn't get the opportunity to go and study during apartheid and now we being punished even further by this scoring system'

Beneficiary 2:' we will never be happy until this scoring system is fixed and we all seen as equal and treated as equal, this thing is causing lots of people pain and heartache and making us angry'

Beneficiary 3: '... the company doesn't care about the poor beneficiaries they just making the rich beneficiaries richer with this scoring system, how can this be in line with what government is trying to achieve, these guys are already getting fat salaries now we still giving them more money through the trust, how can that be fair...'

Beneficiary 4: 'these foreigners running the company can't be expected to know what we went through under apartheid, nothing has changed here in this company, that scoring system is just one of the things that is designed to keep us down...'

Beneficiaries indicated that the workshop was very useful in recognising the driving issues and many was looking forward to the next workshop where root definitions and especially interventions and actions going forward was to be discussed.

The beneficiaries also made the following unqualified claims regarding the driving issues identified.

Appendix B Table 1: Beneficiary Claims Regarding the RHEST System

Beneficiaries comments regarding information flow within trust structures	Beneficiaries comments regarding inequalities within the scoring system
We will never ever get money out because no one even understands how the preferable share works	Poor beneficiaries are being marginalised within the scoring system
Communication needs to be improved	No equalities within the trust scoring system
There is no transparency in this trust	The scoring system is undemocratic and unrealistic
The other big thing, the other purpose of the trust should be communication...this is a major issue	The rich are enriching themselves
Like at the moment there is no flow of information (within the trust)	There is a recognition that some are being benefitted more than other (within the scoring system)
Good communication within the trust (should be a measure of success)	Why does the system benefit the already financially empowered more than the rest?
The rest of the company doesn't even know about this trust	
We request that documents be made available to show various resolutions and decisions	

This concluded the activities that were conducted at workshop 2.

Workshop 3

Date:	1 November 2014
Time:	15H00
Venue:	Lion Boardroom
Attendants:	Cape Town Beneficiaries/ Beneficiary Trustees & Trust Chairman
Facilitator:	Researcher
Attendees	38/58 Beneficiaries

Purpose of the workshop

The purpose of the third workshop was fourfold:

- i. To provide feedback on the additional analysis conducted on the driving issues;
- ii. To generate a root definition for the system;
- iii. To generate a plausible conceptual model for the root definition;
- iv. To recognise and design feasible interventions.

Given my understanding of the previous two workshops, including a more holistic understanding of the problematic situation and the perceptions of the stakeholders present at the previous two workshops, I realised it was critical to include as many stakeholders as possible at the third workshop, especially stakeholders who could represent the “company view” given the analysis 2 and the CSH analysis conducted during the first workshop.

The analysis 2 of the first workshop revealed the division of stakeholders into two distinct separate groups. Those who represented the views and belief of the beneficiaries and those who represented the view and beliefs of the company, given the information gathered during interviews and comments from workshop 1. Given the discussion prepared for workshop 3 it was important to include stakeholders from both these groups to ensure a more robust and richer conversation.

The first half of the workshop was used to explain to beneficiaries the results of the additional analysis done into identifying the driving issues in workshop 2 especially identifying the pathologies using the VSM analysis into information flow. This analysis is shown in Appendix G.

Many of the beneficiaries and the trustees identified with the recognised pathologies and several commitments were made as part of the intervention to ensure a better information flow within trust structures.

The second half of the workshop was used to discuss the root definition of the trust system and forming a conceptual model based on the root definition.

The Figure 9 below shows the research notes taken during the discussion of the root definition of the trust system.

C - All employees classified as previously disadvantaged indiv's

A - The company and trust elected TRUSTEES

T - The need for wealth generation amongst PDI's - This is done via trust structure as profit sharing mechanism

V - A belief that this structure will generate wealth

O - Company Board of Directors

E - legislative framework from government

RD1

A company owned employee share trust, operated by elected trustees, benefits all company previously disadvantaged individuals by transforming the need for wealth generation amongst PDI through a belief that this structure will create wealth by operating within government's BBBEE legislative framework

RD2

A company owned employee share trust, operated by elected trustees from both the company and the trust beneficiaries, benefits the company by maximising the potential scoring on BBBEE scorecard whilst acting within government's BBBEE legislative framework.

Appendix B Figure 9: CATWOE Analysis and Root Definition of RHEST System

After extensive discussion, the root definition was agreed as shown below. Significantly the trustees present were able to provide a more holistic viewpoint of the root definition which included the "company" values as well. The agreed root definition for the system then reads as follows:

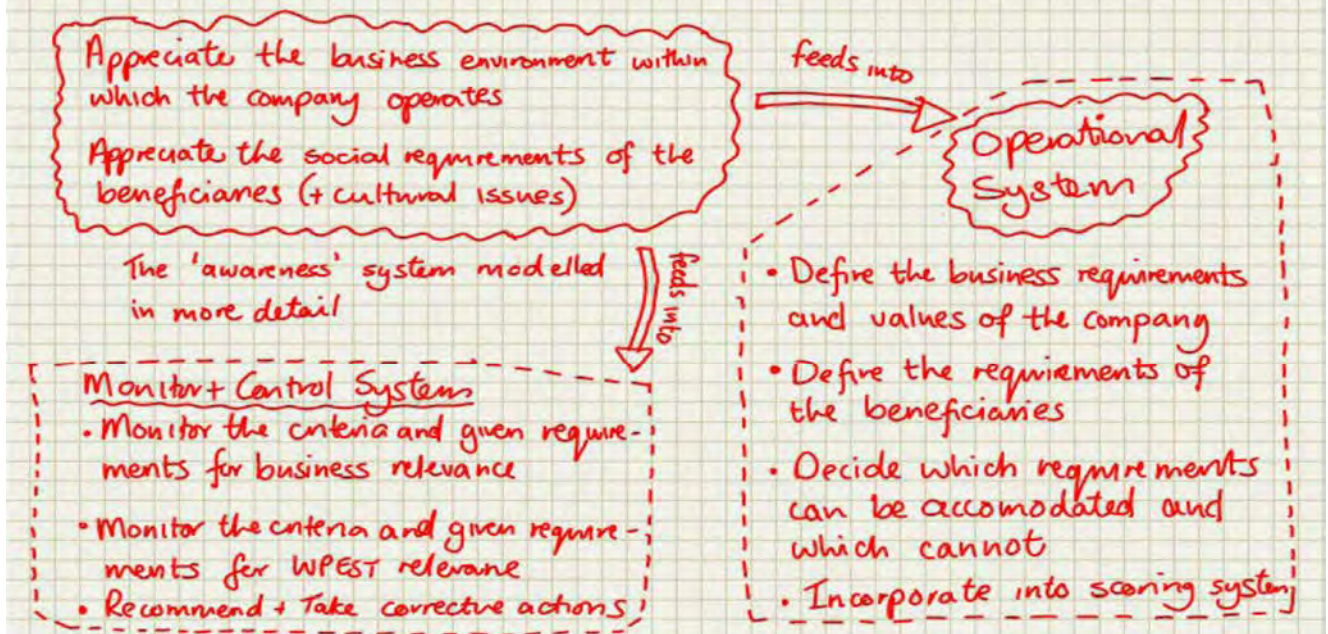
A company owned employee share trust which is managed by elected trustees. The beneficiaries of the system include the company and all PDI's employed by the company by transforming the need for wealth generation amongst PDI's and the company's BBBEE requirements through a belief that the scoring system will distribute wealth to the PDI's whilst operating within government BBEE structures.

A company owned employee share trust which is managed by elected trustees. The beneficiaries include ^{the company and} all previously disadvantaged company employees ^{and company associates} by transforming the need for wealth generation amongst POI's ^{through a belief that the scoring system will} distribute wealth ^{amongst beneficiaries} whilst operating within government BBBEE structures

Awareness system — be aware of company business requirements
 appreciate requirements from beneficiaries

Monitor and control system — know criteria for business requirements
 know criteria for beneficiary requirements
 Monitor criteria for appropriateness and relevance

Operational System — Create a scoring system which takes all criteria into account and assign points/ % to beneficiaries
 distribute funds amongst beneficiaries



Appendix B Figure 10: Beneficiary Information Used to Generate the Conceptual Model

Building a conceptual model

Using SSM's recommended techniques; I structured the conversation to construct the conceptual model around the Root Definition agreed above. The stakeholders suggested three distinct sub systems that must be present within the conceptual model.

The awareness system must be modelled around the awareness of the needs of all the stakeholders present, which CSH revealed was for both the company and especially the needs of the beneficiaries. The two factors used to describe this sub system was:

- I. Appreciate the business environment within which the company exists;
- II. Appreciate the social requirements and situation of the beneficiaries.

The monitor and control system must be modelled to measure and control the criteria recognised within the awareness system. The criteria must be measured for both importance and appropriateness to the trust system. The four factors used to describe this sub system was:

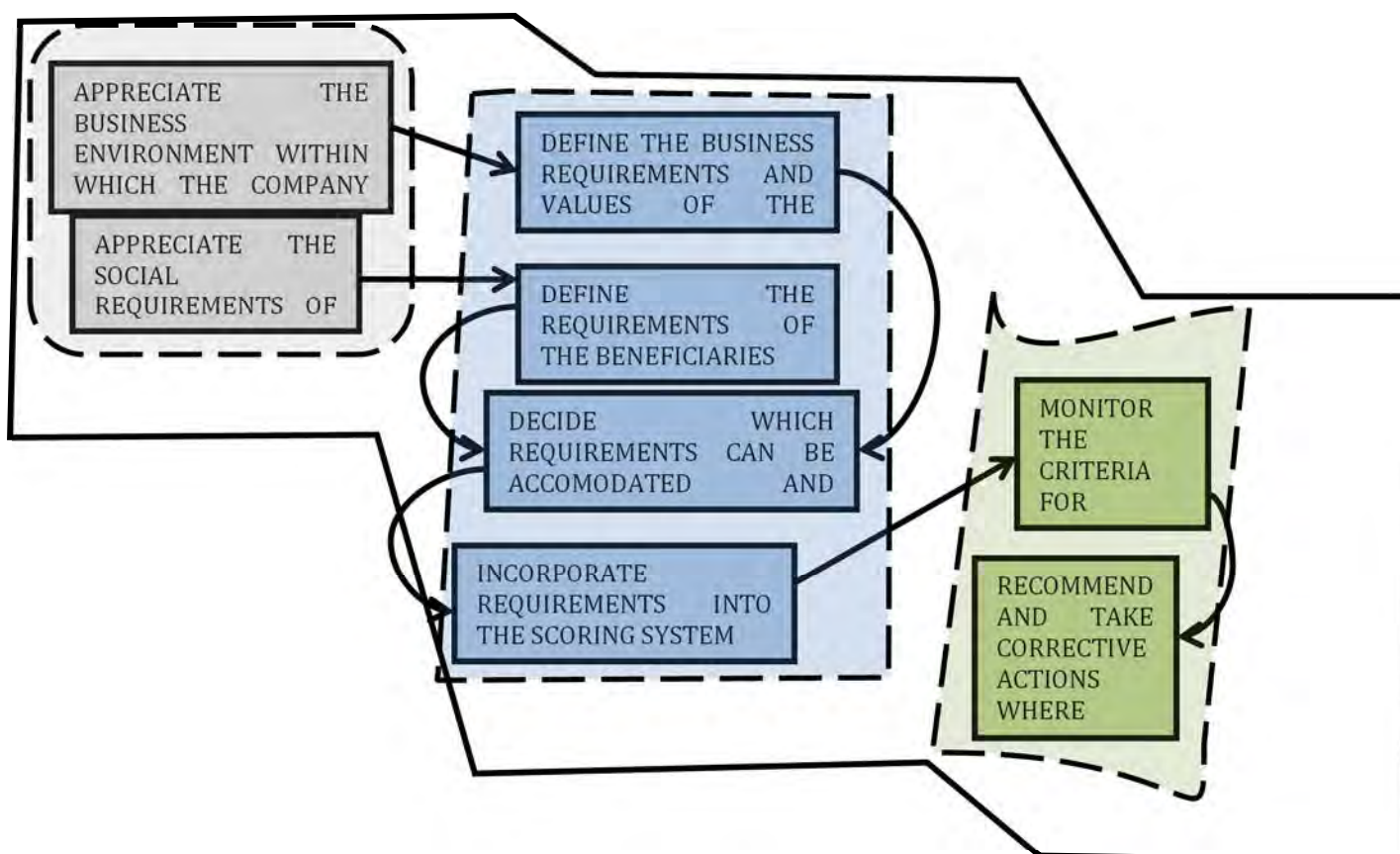
- I. Define the business requirements and values of the company;
- II. Define the requirements of the beneficiaries;
- III. Decide which requirements can be accommodated and which cannot;
- IV. Incorporate the requirements into the scoring system.

The third system is the operational system which is modelled by defining the criteria explicitly for each of the stakeholders. Importantly, not all the criteria could be relevant or be able to be incorporated into the system, thus this system coupled with the measurement and control system also deals with which criteria should be abandoned and how the remaining criteria should be integrated and incorporated into the scoring system. The two factors used to describe this sub system was:

- I. Monitor the criteria for effectiveness;
- II. Recommend and take corrective actions where requirements.

A good example of how these three systems integrate would be the company's value adding principle and how this is defined, measured and incorporated into the scoring system.

The conceptual model agreed upon by the stakeholders is shown Figure 11 below:



Appendix B Figure 11: Conceptual Model of RHEST System

The model is a significant variance of how the current process evolved and this was acknowledged by both the trustees and the beneficiaries present at the workshop.

Using the conceptual model as a basis for suggesting changes within the system the rich conversation that followed amongst the stakeholders resulted in beneficiaries making various suggestions in line with both the pathologies identified within the information flow channels, using the VSM model shown in Appendix G, and the conversations around the conceptual model. The current structural set – up of the trust system requires all significant decisions to be proposed by the Board of Trustees and approved by the Board of Directors.

After weighting up the comments from all the stakeholders present, including comments from the trust chairman and the attending trustees, the stakeholders present agreed that the following items should be presented to the larger body of beneficiaries and once approved should be presented by the Board of Trustees to the Board of Directors for approval.

- I. The trust scoring system should be changed and aligned to be more inclusive of beneficiaries needs and should incorporate more of the actions highlighted in the conceptual model;
- II. The trust chairman must commit at least one 'lunch and learn' session per month to interact with the beneficiaries in the Cape Town office and other beneficiaries from other offices will be allowed to connect via teleconference;
- III. Additional beneficiaries were requested to voluntarily assist the trust secretary with administrative duties to provide the secretary more time and resources to attend to information flow within the trust;
- IV. Additional personnel (from the company side) should be requested to attend the 'lunch and learn' sessions to explain parts of the trust deed that required specific knowledge for example: legal or finance information;
- V. More information regarding the trust should be distributed to non beneficiaries to shed more light on trust matters;
- VI. A capable voluntary beneficiary should be assigned specifically to keep the SharePoint site updated and current.

The trustees, including the trust chairman, committed to presenting the proposal to the rest of the Board of Trustees at the next meeting and would strongly support the approval of the items identified. Given my understanding of the problematic situation, I further nominated two of the senior beneficiaries who were tasked with the compilation of these proposals into a document for submission to the Board of Trustees. Various other decisions were made and is all documented in chapter 4. This concludes the items covered by workshop 3 and the decisions made by the beneficiaries.

This is the end of Appendix B which described the workshop transcripts.

APPENDIX C: DATA ANALYSIS: CODING OF INTERVIEW DATA COLLECTED

The data coding technique was used to identify coding themes that act as motivating factors for the problematic issues within the trust. The raw data collected was in the form of various workshop field notes, interviews and complaints memorandums submitted by beneficiaries which are documented in Appendix A, C and H respectively.

The first step of the coding technique was to individually code each piece of raw data separately through a process of compare and contrast. Once this was completed, the codes were further condensed by clustering them together into various themes and each code was assigned into a cluster. The coding technique for the interviews is shown in three separate columns.

The coding for the workshop field notes are shown using the original field notes and assigning the coding in an adjacent table shown below.

The coding themes identified and used as motivating variables for the problems within the RHEST are:

- I. Inequalities of the scoring system;
- II. Poor communication and information flow channels within the trust;
- III. Lack of trust in the Board of Trustees and structures within the trust;
- IV. Exploitation of beneficiaries using the BBBEE scorecard for the benefit of the company;
- V. Uplifting the beneficiaries through financial empowerment;
- VI. High expectations from beneficiaries;
- VII. Concentration of power within the trust;
- VIII. Differences between the company scoring systems and government's legislative framework;
- IX. Poor management of trust structures.

It was integral for the beneficiaries to identify with the factors driving the problematic situation within the RHEST in order to achieve desirable and culturally feasible solutions to the problem situation. The inputs and discussions that followed were used to identify two of the most pertinent driving variables as the **RIGHT** problems identified within the trust.

The actual coding of the raw data is conducted below:

The following interview was conducted with one of the trustees who is also a in a senior management position in the company and a senior director on the company’s Board of Directors.

Appendix C Table 1: RHEST Trustee Interview Data Coding Analysis

RAW DATA COLLECTED DURING INTERVIEWS	INITIAL OR PRELIMINARY CODING	FINAL CODING – CLUMPING CODES INTO THEMES
<p><i>I would like to start by asking what your function is within the trust?</i></p> <p>¹As a trustee I would like to ensure that I can provide the benefit of my business experience in managing businesses with this type of complexity also provide some advice and leadership, ensure trust doesn’t detach from reality and the company’s directives.</p> <p>²We are not a not – for – profit organisation and it’s important that decisions made inside the trust recognises that. We must also ensure that decisions within the trust are aligned with that of the company. ³The trust must get what it deserves out of the business but we must also provide checks and balances to ensure business directives are maintained.</p> <p><i>What would you describe as the purpose of the trust?</i></p> <p>That is a good question. There are two things.</p> <p>⁴I think if we honest one of the reasons is to ensure the company obtains a good BBBEE score so the company can be competitive in the South African market. And we could have done that through other means, other than the current trust set up. ⁵The second purpose of the trust we felt, as the company, was by applying our social conscious we wanted to</p>	<p>¹Business leadership from trustees</p> <p>²Business based decisions making that advantageous the trust</p> <p>³Business based decisions making within the trust</p> <p>⁴Obtain good BBBEE score for company</p> <p>⁵Upliftment of company PDI’s</p>	<p>Using the trust for the benefit of the company</p> <p>Using the trust for the benefit of the company</p> <p>Using the trust for the benefit of the company using the BBBEE scorecard criteria</p> <p>Uplifting the beneficiaries through financial empowerment</p>

<p>ensure that it provides a manner that helps our employees as individuals and empower and uplift PDI's which will ultimately also help the business of our company unfold.</p> <p><i>You mentioned two purposes and I would like to particularly concentrate on the second part of your answer. How would you define the intended individuals the company aims to uplift and empower?</i></p> <p>I was not involved in the original set up but ⁶I think the intent was to encompass a broad base of PDI's as possible. I think that was the right thing to do in terms of satisfying the social needs of South Africa. I think importantly from a business point of view is ensuring the professionals within the trust are the ones we take proper care of as those are the individuals that add value by ensuring the business has the capability and are competitive within the market. ⁷I would hope that we satisfy their expectations within the trust.</p> <p><i>You mentioned particularly the "value adding" individuals. There is an argument that the trust is currently using the value adding principle to enrich already financially empowered individuals and that it is failing the financially disempowered "lower ranked" beneficiaries within the trust. How would you comment on that?</i></p>	<p>⁶Uplift all PDI's but particularly provide benefit to professionals</p> <p>⁷Satisfy needs of particularly professionals</p>	<p>Uplifting the beneficiaries through financial empowerment</p> <p>Inequalities of the scoring system</p>
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<p>⁸That goes back to my earlier comment that we not a non-profit organisation and we have to be profitable to be sustainable for the benefit of all the beneficiaries in the trust and the company employees. I think there needs to be recognition that as a professional services provider ⁹it is the professionals that represent more value adding within the company. It might not be the politically correct thing to say but the reality is we need our professionals to keep us sustainable. ¹⁰If we were a state entity or a non-profit entity it might be different but we have shareholders in Australia that we have obligation towards and also need to satisfy</p>	<p>⁸Benefit professionals for business sustainability and benefit of all shareholders</p>	<p>Inequalities of the scoring system</p>
<p><i>We are aware that the value adding principle is one of the contentious issues within the trust, what do you think are some of the other issues within the trust causing some of the problems?</i></p>	<p>⁹Provide particular benefit to value adding individuals</p>	<p>Inequalities of the scoring system</p>
<p>¹¹I think you just touched on it. I think there is an expectation from some of the less senior, less educated beneficiaries within the trust that the trust will provide a particular financial outcome which has not yet materialised. ¹²They are probably seeing other beneficiaries who are more senior and have professional qualifications get more “preferential” treatment over and above them. That would be my one observation.</p>	<p>¹⁰Value adding decision based on business needs</p>	<p>Inequalities of the scoring system</p>
<p>¹³There also seems to be an underlying misunderstanding of what rights beneficiaries have within the trust. ¹⁴That is probably a criticism of the trustees that we</p>	<p>¹¹High expectations from beneficiaries</p>	<p>High expectations from beneficiaries</p>
<p></p>	<p>¹²Professional beneficiaries receive preferential treatment within the trust</p>	<p>Inequalities within the scoring system</p>
<p></p>	<p>¹³Misunderstanding of beneficiary rights and power within the trust</p>	<p>Poor communication and information flow within the trust structures</p>

<p>haven't properly educated the beneficiaries on their rights and duties.</p> <p><i>You mentioned the preferential treatment given to professional beneficiaries and that this is linked directly to the scoring system. This has been another issue within the trust. There is also a perception that the company has very rigid views around the structuring of the scoring system. Is there any possibility for the company to amend the scoring system and include more stakeholders in the process?</i></p> <p>¹⁵One of the key reasons for amending the scoring system is to make it less objective and align it with HR structures within the company. Some of the criticisms was that the system was too subjective and open to interpretation which I think we have done well to eliminate. ¹⁶I think it's really difficult to have too many stakeholders in the process and individuals will always have their own personal agendas depending where you sit. It is impossible to have all the stakeholders involved and reach a consensus. I think sometimes we just have to mandate these things and as long as we as directors and business leaders feel we have a solid platform from which we make decisions and the principles which we apply. ¹⁷We not a consensus driven business and we keep our managers responsible for their decisions.</p> <p><i>Do you think the current scoring system is aligned with the purpose of trust?</i></p>	<p>¹⁴Acknowledgement of lack of education and communication from the trustees</p> <p>¹⁵Simplification of the scoring system</p> <p>¹⁶BOARD OF DIRECTORS decision making on scoring system unlikely to change</p> <p>¹⁷Board od Directors responsible for decision making regarding scoring system</p>	<p>Inequalities within the scoring system</p> <p>Concentration of power within the trust</p> <p>Concentration of power within the trust structure</p>
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<p>¹⁸I think hopefully it is. It will become more apparent as time goes on. It doesn't mean we can't tweak it a bit as we go along if we feel there are elements that need adjustments.</p> <p><i>The adjustment you mentioned. If you looking at introducing adjustments what sort of stakeholders will you be looking to involve in those adjustments? Do you think, as a major stakeholder beneficiaries should have representatives involved?</i></p> <p>I think there will be opinion expressed over the scoring system at all times. I don't think we'll ever have consensus. ¹⁹I also think that there is room for including one or two opinions from beneficiaries but we cannot open it up for debate. I'm sure there is room for getting views from different beneficiaries to listen to those views and then use our judgement as to what is appropriate to change and what is not.</p> <p><i>How would you describe a measure of success within the trust?</i></p> <p>²⁰There will be a couple. From a HR perspective it would be to have the trust work as an attraction tool for new talent. ²¹A second measure is to have professionals being driven by principles within the trust to achieve more and better results for themselves and the company. Also hopefully to have things quieten down within the trust and making beneficiaries understand that it's about rewarding value adding individuals. So</p>	<p>¹⁸Scoring system may be changed if deemed necessary by Board of Directors but unlikely</p> <p>¹⁹Scoring system not open for debate but changes may be incurred if necessary</p> <p>²⁰Trust is to act as a attraction tool</p> <p>²¹Professionals must be driven by incentives within the trust to help company performance</p>	<p>Inequalities of scoring system / concentration of power within the trust structures</p> <p>Inequalities of the scoring system</p> <p>Using the trust for the benefit of the company</p> <p>Using the trust for the benefit of the company</p>
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there is no one particular measure but rather a range of measures.		
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The next interview was conducted with a popular senior female beneficiary within the trust. The beneficiary is well respected and received plenty of support during the meeting and workshop sessions

Appendix C Table 2: RHEST Senior Female Beneficiary Interview Data Coding Analysis

RAW DATA COLLECTED DURING INTERVIEWS	INITIAL OR PRELIMINARY CODING	FINAL CODING – CLUMPING CODES INTO THEMES
<p><i>Can you give me brief background of your position within the trust?</i></p> <p>Well I'm just a normal beneficiary, nothing special, just a normal Cape Town beneficiary who's very interested in helping out where I can and adding value where I can.</p> <p><i>As you say you just a normal beneficiary, can you give me your opinion of the trust?</i></p> <p>I think there are a lot of issues within the trust. ¹I must start with trust for the senior management within the RHEST. Trusting them and having faith in them. ²There are two issues, the company and the trust, which is apparently operating as two separate entities. What applies to the company does not necessarily apply to the trust. And people in management must be able to make that differentiation and understand how the two issues affect each other, both the positives and</p>	<p>¹Lack of trust in the management of the RHEST</p> <p>²Company and trust are separate entities</p>	<p>Lack of trust in Board of Trustees and trust structures</p> <p>Concentration of power within the trust</p>

<p>the negatives. As an employee and a beneficiary I don't see that happening. ²The other big thing, the other purpose of the trust should be communicated, from trustees to beneficiaries, and this is a major issue. ³This links into educating people about the trust. The more people that know what's going on the less tension we'll have.</p> <p><i>You mentioned trusting the trustees as one of the major issues and also the lack of communication. Do you think those are the only issues within the trust?</i></p> <p>I think, the more people know, the more they educated, they can think for themselves. ⁴Like at the moment there is no flow of information and you get suggestive emails flying around about issues that are hearsay. ⁵That is causing conflict. I think the whole situation stems from people not being educated on how things work. We need to learn to crawl before we can walk. Everybody throws around this BEE thing and not everybody understands it. For me it goes beyond our generation and helping people</p>	<p>²Poor communication issues within the trust</p> <p>³Lack of education regarding trust issues amongst beneficiaries</p> <p>⁴Lack of information causes beneficiaries to indulge in grapevine stories</p> <p>⁵Lack of information and understanding</p>	<p>Poor communication and information flow channels within the trust</p> <p>Poor communication and information flow channels within the trust</p> <p>Poor communication and information flow channels within the trust</p> <p>Poor communication and information flow channels within the trust</p> <p>Poor communication and information flow channels within the trust</p>
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<p>to benefit the next generation.</p> <p>⁶But for me the biggest issue is still trusting in the trustees and that loyalty towards that.</p> <p><i>So education of beneficiaries is another big issue?</i></p> <p>⁷Yes but this is linked to communication.</p> <p><i>You also mentioned earlier the purpose of the trust. What in your opinion is the current purpose of the trust?</i></p> <p>⁸For me the purpose of the trust should be empowering PDI's. not just about this generation but also the next, at my age I'm not going to go and study a four year degree, but I can make provision for my son to go if I get the necessary benefit from the trust. For me it's not about the past but what we can do currently to benefit the future.</p> <p><i>So in your opinion the purpose of the trust is empowering PDI's. There is a difference in opinion amongst beneficiaries at the moment that the trust is benefitting some PDI's more than others. Would you care to comment on this?</i></p>	<p>⁶Lack of trust in trustees</p> <p>⁷Lack of communication and information is linked</p> <p>⁸Purpose of the trust should be to empower all PDI's financially to assist future generations</p>	<p>Lack of trust in the board of trustees and structures within the trust</p> <p>Poor communication and information flow channels within the trust</p> <p>Inequalities of the scoring system</p>
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<p>Like I said you can't change the past. ⁹When it comes to the current scoring system I have my reservations. ¹⁰Like for instance, you are employed by the company, you get a salary for being an engineer; you are already being compensated for this. I don't think the trust should be responsible for reimbursing you additionally for your value adding as the company is already doing this.</p>	<p>⁹Apprehension over the current scoring system ¹⁰The value adding principle is not justified</p>	<p>Inequalities of the scoring system Inequalities of the scoring system</p>
<p>¹¹All beneficiaries should be reimbursed equally, males, females, disabled should all get the same. Although when it comes to the legislation, females and disabled PDI's score more on the government's system I think the scoring system should be equal for all, this value adding principle should be something that the company takes care of not the trust as it has nothing to do with BEE. ¹²I know people don't see it like that especially the professional guys but they claim more value adding responsibility but this is what they get better salaries.</p>	<p>¹¹Equal financial empowerment for all beneficiaries ¹²Value adding is compensated through salary should not be through the trust</p>	<p>Inequalities of the scoring system Inequalities of the scoring system</p>

<p><i>The Board of Directors claims that the TRUST is also used as an attraction and retention tool to get talented PDI within the company to perform optimally and be motivated by systems within the trust and this ultimately leads to better profits for all including the 30% share of the TRUST. So it becomes a bigger pie to share.</i></p> <p><i>Do you agree with view?</i></p> <p>¹³I don't think that should be the purpose of the trust. Legally, BEE is here to stay, so it doesn't matter whether this is used as an attraction tool or not. I don't agree that they should use the trust as part of this system. That is what HR is for. The scoring system should be level and equal scoring for all individuals. The company is always quick to point out that there are company issues and trust issues. Well that should be a company issue.</p> <p><i>You mentioned the scoring system. What are your views of the scoring system?</i></p> <p>¹⁴Like I said earlier I already get remunerated for my value adding so why does the system</p>	<p>¹³The trust should not use the value adding principle as a attraction tool as this is a company prerogative and not necessarily a trust prerogative</p> <p>¹⁴The current scoring system does not work</p>	<p>Using the trust for the benefit of the company</p> <p>Inequalities of the scoring system</p>
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<p>further benefit the financially empowered more than the rest.</p> <p><i>You also mentioned that females and disabled PDI's are favoured in legislation, do you think the scoring system should reflect this as well?</i></p> <p>That's a moral issue. From a professional perspective I would say everyone is equal but taking a historic perspective ¹⁵I would agree with government's legislation that females and disabled PDI's were more discriminated against and should be more financially empowered than their male counterparts. I think they should score more but within reason, not like the scoring system discriminates against some PDI's at the moment.</p> <p><i>I just want to summarise what you said to make sure I understand it. You think females and disabled individuals should be more benefitted due to their historically marginalised position. Is this correct?</i></p> <p>¹⁶Yes that is correct.</p>	<p>¹⁵Government legislation favours especially females and disabled individuals and the trust should as well within reason</p> <p>¹⁶Females and disabled PDI's should be favoured more by the scoring system</p>	<p>Differences between the company scoring systems and government's legislative framework</p> <p>Differences between the company scoring systems and government's legislative framework</p>
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<p><i>Is it then not possible for certain individuals to point out that they were also more marginalised than others in the apartheid era and thus should be benefitted more? We know of instances where some beneficiaries were severely affected and others only minimally. Does that argument not have the same underpinnings?</i></p> <p>¹⁷That is true. It does have the same moral basis, but that is something that the trust cannot be held responsible for. The past happened; we cannot change it, which is why we need to find a common ground. We cannot afford to split it down to that level because it will get tenses and sticky and I don't think that was the intension of the BBBEE act.</p> <p><i>At the start of the conversation you mentioned the separation between the trust and the company. As you know the BOT consists of two company trustees who also happen to be directors of the company. What is your view on these trust structures?</i></p>	<p>¹⁷The parameters of the trust should be confined to the legislative constraints</p>	<p>Differences between the company trust and government's legislative framework</p>
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<p>¹⁸There is a definitely a conflict of interest there. After all I am an employee of the company and for me a trustee cannot be part of the company. You have to keep your thinking separately and I don't think that is happening. The company is definitely being favoured. At director level you deal with company politics and intimidations which hamper your duties as a genuine trustee. It is not easy to make a distinction between the two and when it is advantageous the issues about the ¹⁹company and the trust being different entities gets used as a convenient excuse.</p>	<p>¹⁸There is a conflict of interest between Board of Trustees and Board of Directors</p>	<p>Exploitation of the trust for company advantages</p>
<p><i>We are unfortunately running out of time so I would like to pose a final questions, what would you say is a good measure of success for the trust? What would you consider as a successful trust?</i></p>	<p>¹⁹Company issues get preference over trust issues</p>	<p>Exploitation of the trust for company benefit</p>
<p>²⁰I think good communication within the trust, educated beneficiaries and trustworthy trustees. ²¹I think the big thing is the split between, clearly defining what trust issues are and what company issues are,</p>	<p>²⁰Better communication is required within the trust</p> <p>²¹Better understanding of trust</p>	<p>Poor communication flow within the trust</p> <p>Lack of information flow within the trust</p>

<p>we have to understand that. The financial part is actually a plus for me, but being part of the trust, we as PDI's asking ourselves what we can do to help the company make money, what extra mile can I go? Also if as a PDI I get more recognised within the company as well because there is definitely still an old boys club in this company and it has translated to the trustees.</p> <p>But change is happening slowly. But someone has to push it someone has to ensure we have equality and that should be the trust that pushes for that. ²²I still think there is a very authoritarian management style within the company and the trust. If we could all put our issues on the table and not shout and scream at each other, get away from this us and them scenario we have currently and move more towards collaboration. Those are my views.</p>	<p>²²Authoritarian management style within the trust</p>	<p>Poor management of trust</p>
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The next interview was conducted with a senior company director and founding trustee.

Appendix C Table 3: RHEST Senior Company Director and Founding Trustee Interview Data Coding Analysis

RAW DATA COLLECTED DURING INTERVIEWS	INITIAL OR PRELIMINARY CODING	FINAL CODING – CLUMPING CODES INTO THEMES
<p>Can you describe your position within the trust?</p> <p>Well I’m a founding trustee of the trust. At the foundation of the trust there were obviously no beneficiaries yet from which to choose a trustee so as one of the company directors and also one of the first beneficiaries of the trust I was selected by the company to become a trustee. My period as a trustee was for three years after which I am open to be replaced.</p> <p>In your opinion can you give me what you think is the purpose of the trust?</p> <p>¹The main purpose is a mechanism to spread possible dividends to which funds can flow to beneficiaries. There is also a reason why the trust is in existence so in terms of public funds being spent on service providers there is a ²BBBEE requirement of which the trust contributes to the ownership component, so in terms of the company’s perspective this is also one of the primary functions of the trust. The trust has potential to become more than what I just said.</p> <p>³Beneficiaries also see the trust as a mechanism to achieve other goals, other than just financial reward, they are looking to the trust to create opportunities for</p>	<p>¹Trust is a mechanism for profit sharing</p> <p>²Primary function of the trust is to provide company with a good BBBEE score</p> <p>³Beneficiaries see trust as more than just a vehicle for profit sharing and providing a good BBBEE score</p>	<p>Trust as a profit sharing mechanism</p> <p>Using the trust for company benefit</p> <p>Beneficiary expectation of trust</p>

<p>career development. Some are looking at the trust to create “fame” for themselves; some have “hidden” agenda’s.</p> <p><i>You mentioned that beneficiaries see the purpose of the trust as different to those what the company sees it as. Beneficiaries also see it as a mechanism to achieve other goals. Does the trust structures allow for any of these at the moment?</i></p> <p>⁴No, at present the structures does not allow for it, but the need exists. The need has been identified by trustees before but for various reasons it always fails. Obviously the company issues come into play as well. That is why there is a very important link between trustees and the company’s executive board. Fortunately for this trust there is a direct link between the board of trustees and the Board of Directors. ⁵The problem is that the voice of the masses must just be channelled correctly through the elected trustees to the Board of Directors and I think that is not happening to the moment. ⁶I know there we still lacking as the masses does not have channel functioning properly.</p> <p><i>You mentioned the link between the trustees and EXCO and that you think this is a good thing. To date however the situation seems to suggest that it has produced no real benefit to the trust. Do you believe this to be true?</i></p>	<p>⁴Trust structures does not allow for changes but the need exists from beneficiaries</p> <p>⁵Trustees not transferring the message from the beneficiaries to the BOARD OF DIRECTORS</p> <p>⁶Poor communication channels between beneficiaries and trustees</p>	<p>Concentration of power within trust structures</p> <p>Poor communication and information flow within the trust</p> <p>Poor communication and information flow within the trust</p>
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<p>It should be a good thing and information should flow freely especially at trustee meeting as well, about and to matters arising about the mass of beneficiaries. ⁷I don't think it's been handled effectively and that is an issue we need to deal with as trustees.</p>	<p>⁷Poor communication management between the trust and the BOARD OF DIRECTORS</p>	<p>Poor communication and information flow within the trust</p>
<p><i>So you can recognise the pathology in the system?</i></p>		
<p>⁸Yes and we are working on getting better at it.</p>	<p>⁸Communication processes are being addressed</p>	<p>Poor communication and information flow within the trust</p>
<p><i>Would you like to elaborate on that?</i></p>		
<p>Well yes we are working on getting it better and making the process more streamlined I think that is enough said.</p>		
<p><i>Many of the beneficiaries think there is conflict of interest with EXCO members sitting on the board of trustees. You mentioned what you think are some of the positives, but there is some who argue that EXCO also force their own agenda's onto the trustees and the trust?</i></p>		
<p>⁹No I don't think the conflict exist purely because the intension of trustees will always be for the benefit of the company because it is a company trust. Decisions, agenda's must always be for the benefit of the company so EXCO members pushing their agenda's onto the trust and it being bad for the company would make no sense in the first place because why would you damage the company. I think it just</p>	<p>⁹Company issues receive preference above trust issues by the Board of Trustees.</p>	<p>Exploitation of trust for company structures</p>

<p>allows EXCO to communicate with a large percentage of its staff to also deal with matters that is companywide matters, which in my opinion, that opportunity is not being exploited fully either.</p> <p><i>Who would you say are the intended beneficiaries of the trust?</i></p> <p>¹⁰PDI's, obviously with each PDI comes the rest of South Africa as per government's legislation but the immediate beneficiaries are the PDI's within the company. There are also secondary beneficiaries who are the friends and families of the company PDI's who also benefit from these structures that can share in the potential benefits of the trust.</p> <p><i>As the intended beneficiaries of the trust do you not think the intension of the trust and decision being made within the trust should be for the benefit of beneficiaries instead of – and I'll use your words for a second – for the benefit of the company?</i></p> <p>¹¹When it comes to trust decisions the benefit should be for beneficiaries, but when it comes to trust EXCO members sitting on the board of trustees the benefit will always be for the company as they are looking after the company's best interest. They will not shoot themselves in the foot by forcing negative agenda's onto the trust.</p>	<p>¹⁰The intended beneficiaries are all PDI's</p> <p>¹¹EXCO members look after company interests but will not disadvantage trust</p>	<p>Beneficiary expectation of trust</p> <p>Exploitation of trust for company benefit</p>
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<p><i>Is this not the conflict of interest that exists or can the two live in harmony?</i></p> <p>This is an opinion and depends where you want to view it from. It becomes a matter of perspective and depends which side of the fence you on. ¹²Beneficiaries will always want to see things their way and the company will always see things their way also. The two will rarely align...</p> <p><i>So this misalignment between the two entities, is this a cause of conflict within the trust?</i></p> <p>¹³That is one of the reasons but I think the biggest reason is the lack of dividends. The first year dividends were declared and everyone was happy. To me it was proof that to the bulk of beneficiaries, what matters is the money and not really about the goals and intensions of the trust. So the lack of dividends is another one. ¹⁴The other is the lack of communication and also the lack of understanding of the communication. I can make you listen to my communication but I cannot make you understand my communication if you don't want to especially if it's not something you want to hear like in the case of no dividends. The bulk of the beneficiaries are the lower educated personnel so I find they struggle to understand the mechanisms within the trust and their focus is normally only fixed</p>	<p>¹²Beneficiaries will always look to benefit themselves as will the company director look to enhance company objectives(Importantly there is a notion of two entities being highlighted here)</p> <p>¹³Lack of dividends is a major driver within the trust</p> <p>¹⁴Lack of communication within the trust is a major problem</p>	<p>Beneficiary expectation of trust</p> <p>Beneficiary expectation of trust</p> <p>Poor communication and information flow within the trust</p>
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<p>on getting out dividends and centred around themselves and that the trust cater for their specific needs. That sparks frustration. Then there is also the inability of the structure to deliver on what they say. ¹⁵Trustees sometimes create expectation and due to insufficient resources cannot deliver on those promises, which causes more frustration and a lack of trust towards trustees.</p>	<p>¹⁵There is a lack of delivery from trustees</p>	<p>Expectation from beneficiaries and poor management of trust</p>
<p><i>You mentioned money. How money gets spread inside the trust is the scoring system. What are your views on this scoring system?</i></p>		
<p>¹⁶The scoring system is not where it should be. I agree with some beneficiaries that there are certain areas where more focus should be placed and not purely on your company based position because the BBBEE originated from the fact that the lack of financial effluence was very poor in some communities and those people do not have the educational background to uplift themselves and they were the ones who should be targeted for financial empowerment. Our mechanism at present does not reflect that. So I think there should be a shift for extra elements being brought into the scoring system.</p>	<p>¹⁶The scoring system is a big problem and should be more inclusive</p>	<p>Inequalities within the scoring system</p>
<p><i>Do you believe the system is working as intended?</i></p>		
<p>¹⁷Well I do think it's working as intended because from a company's perspective</p>	<p>¹⁷The scoring system is working as intended with its inherent inequalities</p>	<p>Inequalities within the scoring system</p>

the core resources are the engineers and the technical staff so they are the ones being targeted as this is also seen as an additional perk. And if the mechanism is such that it is no longer seen as a benefit to those core technical staff it might become a risk to the company in that senior black engineers would more easily leave the company as there is no real benefit within the trust. So being a company trust it must be aligned with company policies and that is that it is a retention and attraction tool of quality PDI's

So the system is working as intended but is not really aligned with the objectives of the BBBEE legislation. Do I understand that correctly?

¹⁸Well I wouldn't say that it's not aligned but it certainly needs some more attention. You must remember that those PDI's benefitting has a value chain which they all support be it their parents or grandparents, uncles or aunts etc. any money they get also support those structures so it might not necessarily benefit those PDI's I mentioned that it should benefit as much but it certainly does add up in the big scheme of things

I understand your explanation regarding the chain of value adding but does the trust not have a direct responsibility to the "lower ranked" beneficiaries?

¹⁸The scoring system needs more attention to detail

Inequalities within the scoring system

<p>¹⁹Well like I said this is a company trust and the trust has a responsibility to the company as well</p> <p><i>Do you not think there is an ethical consideration which is not being regarded?</i></p> <p>²⁰I don't think so because of this value chain I referred to. So I don't think ethically we that wrong but we could improve on it.</p> <p><i>What would you consider a measure of success within the trust?</i></p> <p>²¹Firstly would be the distribution of dividends as this is at the heart of the trust and important to all the beneficiaries.</p> <p>²²Another success would be if the trust is able to achieve and assist the company in achieving its goals in using the mechanism to connect ²³EXCO with the beneficiaries so that ordinary beneficiaries can better communicate with EXCO and EXCO can better understand the needs of PDI masses. The company acknowledging that there is a short fall in the structures in terms of PDI recognition and involvement and those beneficiaries within the company are actually recognised and earmarked for accelerated growth in positions that mattered. Lastly a drop in the number of PDI's leaving the company's that stabilises than I would consider it a success. This retention rate is still too low and the company is failing in</p>	<p>¹⁹The trust has a responsibility to the company</p> <p>²⁰There are ethical consideration which could be improved</p> <p>²¹Dividend distribution would be a measure of success</p> <p>²²Achieving company objectives would be a measure of success</p> <p>²³Communication between EXCO and the beneficiaries can be improved</p>	<p>Exploitation of the trust for company benefit</p> <p>Management of trust</p> <p>Expectation from beneficiaries</p> <p>Exploitation of trust for company benefit</p> <p>Poor communication flow within the trust</p>
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this regard. The trust is making the right noises and it's not getting to EXCO loud enough.		
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The following page will show the raw data from the workshops being coded as part of the analysis process.

RAW DATA FROM WORKSHOP 1

Workshop 1: Field notes 16/09/13 page 1/2	CODING
<p><u>Comments from beneficiaries</u></p> <p>Poor beneficiaries are being marginalised (anger) ¹</p>	<p>¹Scoring system inequalities</p>
<p>No equality within trust ²</p>	<p>²Inequities within the trust</p>
<p>They never tell us anything ³</p> <p>How was trust secretary elected ⁴</p>	<p>³Lack of communication</p>
<p>Who is the chairman, what does he do? (vague position) ⁴</p> <p>A white chairman!!! ⁵</p>	<p>⁴Lack of understanding of trust structures</p>
<p>Trustees act like they being paid by company, they only make rules to help company ⁵</p> <p>Trustees are useless ⁵</p>	<p>⁵Lack of trust in BOT</p>
<p>The people in company don't even know what the trust is ⁶</p>	<p>⁶Lack of information about trust</p>
<p>The rich people in the company are making themselves more rich with this thing ⁷</p>	<p>⁷Scoring system inequalities</p>

Appendix C Figure 1: Workshop 1 Field Notes 1

RAW DATA FROM WORKSHOP 1

RAW DATA FROM WORKSHOP 1	CODING
<p>Workshop 1 <u>Field Notes</u> 16/08/13 page 2/2</p> <p><u>Comments</u></p> <p>- There is too much secrecy, cloak and dagger business here ¹</p>	<p>¹Lack of information flow</p>
<p>- There is no transparency ²</p> <p>- Trustees are irresponsible</p> <p>- They always give same excuses and use policy as excuses</p>	<p>²Lack of trust in BOT</p>
<p>Boycott the trust ³</p> <p>No advantage to blacks</p>	<p>³Lack of trust in trust structures</p>
<p>This thing is used to exploit blacks ⁴</p> <p>Scoring system is undemocratic and unrealistic ⁵</p>	<p>⁴Lack of understanding of trust structures</p>
<p>Is the trust legal, how is it suppose to work? ⁴</p> <p>How can the BOB control the trust? ⁴</p>	<p>⁵Scoring system inequalities</p>

Appendix C Figure 2: Workshop 1 Field Notes 2

This is the end of Appendix C which described the coding process to identify themes extracted from the interview process.

APPENDIX D: STAKEHOLDER ANALYSIS FOR THE RHEST

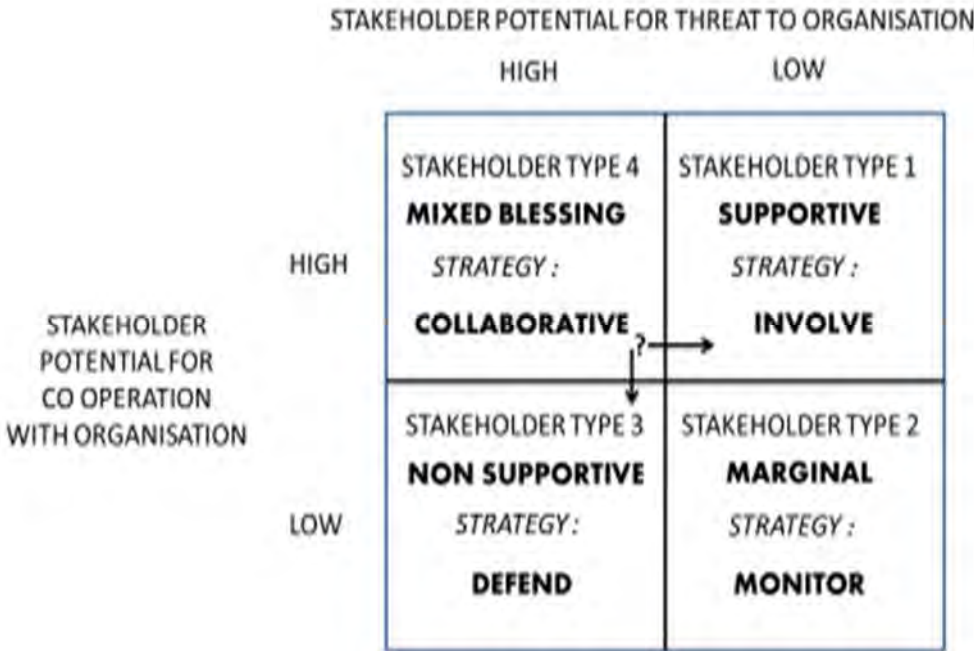
The common view inside the company is that management is only responsible for making a profit within the regulatory constraints of the marketplace. However, in the context of the RHEST it is arguable that management should also be socially responsible and have a responsibility towards the goodwill of the beneficiaries and to satisfy their key stakeholders to avoid confrontational actions or unintended consequences.

A stakeholder management approach complements and extends this perspective by addressing organizations' and stakeholders' power, intentions, and values. This is also outlined in the philosophical underpinnings of CSH and was highlighted as part of the case study performed by Ulrich and Reynoldts (2010) to understand the issues within the problem situation. Threat or hostility from any major stakeholders could be a key variable for identifying system deficiencies. However, a stakeholder's capacity for threat or hostility is also mitigated by the opportunities and willingness to act so this can be used as part of identifying feasible interventions (Savage G. T., Nix, Whitehead, & Blair, 1991).

This is where the relevance of the RHEST own actions from their stakeholders comes into play. If the RHEST is seeking to improve its sustainability it stand to reason that it's management should assess the willingness of its stakeholders to threaten this viability by considering the quality and resilience of the RHEST stakeholder relationship.

For a socially orientated system like the RHEST, cooperation should be emphasized since it allows the management of stakeholders to become more than defensive or offensive strategies. The potential for stakeholder cooperation is particularly relevant in the RHEST because it has a direct link with the viability of the system. Improved stakeholder management can result in better management of both the internal and external environments and improved system viability. Using the analogy proposed by Savage et al (1991. p 65), stakeholders can be classified into four different types and each approached with an appropriate strategy.

By assessing each stakeholder's potential to threaten or to cooperate with the viability of the system, each stakeholder is identified as supportive, mixed blessing, non-supportive, or as marginal stakeholders. This diagnostic typology of stakeholders is shown in Figure 1 (Savage G. T., Nix, Whitehead, & Blair, 1991, p. 65).



Appendix D Figure 1: Strategies for Assessing and Managing Organizational Stakeholders

Table 1 below shows the stakeholders analysis and importantly the stakeholder management strategy which is shown in the last column of the table below.

Appendix D Table 1: Stakeholder Analysis for the RHEST

Stakeholder	Stake involved	Potential impact	What does the stakeholder expect	Perceived attitudes and/or risks	Stakeholder Management Strategy
RHEST Beneficiaries	Primary members of the RHEST. Primary beneficiaries of the trust and major stakeholder of the RHEST	Supportive stakeholder and threatening stakeholder	Maximum financial value adding. Using the trust as a vehicle to enhance PDI's opportunities within the company	Very unhappy with how the trust is currently managed and how beneficiaries are "marginalised". Threatening to disband the trust and run a smear campaign of "fronting"	Involve as much as possible especially in the detailed managing of the trust. Strategies to encourage trust must be fast tracked. Regular meeting and feedback sessions must become a priority. Issues presented from these stakeholders must receive due attention Hold regular consultative sessions to update and seek support
RHEST Trustees	Responsible for ensuring maximum value adding from RHEST for both beneficiaries and WPRSA. Responsible for the running of the day to day activities in the RHEST	Supportive stakeholder	-	Trustees feel they are doing the "best possible job" and are fully willing to co-operate with beneficiaries to resolve issues within the trust.	Must be approached with a supportive attitude and not the current "us versus them" attitude.
WPRSA Board of Directors	Custodians of the trust structures. Responsible for making majority decisions regarding trust structures and how financial dividends are shared amongst beneficiaries	Supportive stakeholder	To be able to use the RHEST to maximise exposure for accumulation of BBBEE points on government's scorecard to maximise the company's BBBEE score and thus maximise its ability to score lucrative contracts	Concerned only with the best interest of the company and maximising profits.	This is a very powerful stakeholder and is very difficult to manage from a position of inferiority. The advantage is that this stakeholder is very supportive of the trusts' existence and is heavily reliant on the trust to uphold its BBBEE accreditation
WPRSA Senior Management	Managers of beneficiaries within company structures. Responsible for day to day operations within the company.	Supportive and marginal stakeholder	To be kept informed of happenings within the trust that could affect daily operations within profit centres.	Not concerned with any other issues as long as they are being "kept into the loop"	This stakeholder requires very little to be satisfied. Monthly information sessions and ad hoc information sessions as required.

WPRSA Shareholders	70% Shareholders in the company which along with the trust makes up 100% shareholding within WPRSA	Supportive and marginal Stakeholder	To maximise BBEE scoring opportunities using the trust to gain maximum points for lucrative contracts. To ensure the payment of pref shares on a quarterly basis	Concerned only with the best interest of the company and maximising profits.	This stakeholder should be kept information with requisite information as required.
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APPENDIX E: INTERVIEW TRANSCRIPTS

This Appendix documents all the interviews conducted as part of the research:

Interview 1

Date: 16.09.13

Time: 10H00 AM

Interviewee: Senior Company Director and Company Trustee

The following interview was conducted with one of the trustees who is also in a senior management position in the company and a senior director on the company's Board of Directors.

Interviewee: **I would like to start by asking what is your position within the RHEST ?**

Director: As a trustee I would like to ensure that I can provide the benefit of my business experience in managing businesses with this type of complexity, also provide some advice and leadership, ensure trust doesn't detach from reality and the company's directives. We are not a not for profit organisation and it's important that decisions inside the trust recognises that. We must also ensure that decisions within the trust are aligned with that of the company. The trust must get what it deserves out of the business but we must also provide checks and balances to ensure business directives are maintained.

What would you describe as the purpose of the trust?

That is a good question. There are two things. I think if we honest one of the reasons is to ensure the company obtains a good BBBEE score so the company can be competitive in the South African market. And we could have done that through other means, other than the current trust set up. The second purpose of the trust we felt as the company was by applying our social conscious we wanted to ensure that through a manner that helps our employees as individuals and empower and uplift PDI's which will ultimately also help the business of WALLYPETERS unfold.

You mentioned two purposes and I would like to particularly concentrate on the second part of your answer. How would you define the intended individuals the company aims to uplift and empower?

I was not involved in the original set up but I think the intent was to encompass a broad base of PDI's as possible. I think that was the right thing to do in terms of satisfying the social needs of South Africa. I think importantly from a business point of view is ensuring the professionals within the trust are the ones we take proper care of as those are the individuals that add value by ensuring the business has the capability and are competitive within the market. I would hope that we satisfy their expectations within the trust.

You mentioned particularly the “value adding” individuals. There is an argument that the trust is currently using the value adding principle to enrich already financially empowered individuals and that it is failing the financially disempowered “lower ranked” beneficiaries within the trust. How would you comment on that?

That goes back to my earlier comment that we not a non-profit organisation and we have to be profitable to be sustainable for the benefit of all the beneficiaries in the trust. I think there needs to be recognition that as a professional services provider it is the professionals that represent more value adding within the company. It might not be the politically correct thing to say but the reality is we need our professionals to keep us sustainable. If we were a state entity or a non-profit entity it might be different but we have shareholders in Australia that we have obligation towards and also need to satisfy

We are aware that the value adding principle is one of the issues within the trust, what do you think are some of the other issues within the trust causing some of the clashes?

I think you just touched on it. I think there is a expectation from some of the less senior, less educated beneficiaries within the trust that the trust will provide a particular financial outcome which has not yet materialised. They are probably seeing others in beneficiaries who are more senior and has professional qualification get a more “preferential” treatment over and above themselves. That would be my one observation. There also seems to be an underlying misunderstanding of what rights beneficiaries have within the trust. That is probably a criticism of the trustees that we haven't properly educated the beneficiaries on their rights and duties.

You mentioned the preferential treatment given to professional beneficiaries and that is linked directly to the scoring system. This has been another issue within the trust. There is also a perception that the company has very rigid views around the structuring of the scoring system. Is

there any possibility for the company to amend the scoring system and include more stakeholders in the process?

One of the key reasons for amending the scoring system is to make it less objective and align it with HR structures within the company. Some of the criticisms was that the system was too subjective and open to interpretation which I think we have done well to eliminate. I think it's really difficult to have too many stakeholders in the process and individuals will always have their own personal agendas depending where you sit. It is impossible to have all the stakeholders involved and reach a consensus. I think sometimes we just got to mandate these things and as long as we as directors and business leaders feel we have a solid platform from which we make decisions and the principles which we apply. We not a consensus driven business and we keep our managers responsible for their decisions.

Do you think the current scoring system is aligned with the purpose of trust?

I think hopefully it is. It will become more apparent as time goes on. It doesn't mean we can't tweak it a bit as we go along if we feel there are elements that need adjustments.

The adjustment you mentioned. If you looking at introducing adjustments what sort of stakeholders will you be looking to involve in those adjustments? Do you think, as a major stakeholder beneficiaries should have representatives involved?

I think there will be opinion expressed over the scoring system at all times. I don't think we'll ever have consensus. I also think that there is room for including one or two opinions from beneficiaries but we cannot open it up for debate. I'm sure there is room for getting views from different beneficiaries to listen to those views and then use our judgement as to what is appropriate to change and what is not.

How would you describe a measure of success within the trust?

There will be a couple. From a HR perspective it would be to have the trust work as an attraction tool for new talent. A second measure is to have professionals being driven by principles within the trust to achieve more and better results for themselves and the company. Also hopefully to have things quieten down within the trust and making beneficiaries understand that it's about rewarding value adding individuals. So there is no one particular measure but rather a range of measures.

Interview 2

Date: 30.09.13

Time: 13H30

Interviewee: Senior Beneficiary

Can you give me brief background of your position within the trust?

Well I'm just a normal beneficiary, nothing special, just a normal Cape Town beneficiary who's very interested in helping out where I can and adding value where I can.

As you say you just a normal beneficiary, can you give me your opinion of the trust?

I think there are a lot of issues within the trust. I must start with trust for the senior management within the trust. Trusting them and having faith in them. There are two issues, the company and the trust, which is apparently operating as two separate entities. What applies to the company does not necessarily apply to the trust. And people in management must be able to make that differentiation and understand how the two issues affect each other, both the positives and the negatives. As an employee and a beneficiary I don't think that happening. The other big thing, the other purpose of the trust should be communication, from trustees to beneficiaries, and this is a major issue. This links into educating people about the trust. The more people that know what's going on the less tension we'll have.

You mentioned trusting the trustees as one of the major issues and also the lack of communication. Do you think those are the only issues within the trust?

I think, the more people know, the more they educated they can think for themselves. Like at the moment there is no flow of information and you get suggestive emails flying around about issues that are hearsay. That is causing conflict. I think the whole situation stems from people not being educated on how things work. We need to learn to crawl before we can walk. Everybody throws around this BEE thing and not everybody understands it. For me it goes beyond our generation and helping people to benefit the next generation. But for me the biggest issue still trusting in the trustees and that loyalty towards that.

So education of trustees is another big issue?

Yes but this is linked to communication.

You also mentioned earlier the purpose of the trust. What in your opinion is the current purpose of the trust?

For me the purpose of the trust should be empowering PDI's. not just about this generation but also the next, at my age I'm not going to go and study a four year degree, but I can make provision for my son to go if I get the necessary benefit from the trust. For me it's not about the past but what we can do currently to benefit the future.

So in your opinion the purpose of the trust is empowering PDI's. There is a difference in opinion amongst beneficiaries at the moment that the trust is benefitting some PDI's more than others. Would you care to comment on this?

Like I said you can't change the past. When it comes to the current scoring system I have my reservations. Like for instance, you are employed by the company, you get a salary for being an engineer; you are already being compensated for this. I don't think the trust should be responsible for reimbursing you additionally for your value adding as the company is already doing this.

All beneficiaries should be reimbursed equally, males, females, disabled should all get the same. Although when it comes to the legislation, females and disabled PDI's score more on the government's system I think the scoring system should be equal for all, this value adding principle should be something that the company takes care of not the trust as it has nothing to do with BEE. I know people don't see it like that especially the professional guys but they claim more value adding responsibility but this is what they get better salaries.

The trustees claims that the TRUST is also used as an attraction tool and retention tool to get talented PDI within the company to perform optimally and be motivated by systems within the trust and this ultimately leads to better profits for all including the 30% share of the TRUST. So it becomes a bigger pie to share. Do you agree with view?

I don't think that should be the purpose of the trust. Legally, BEE is here to stay, so it doesn't matter whether this is used as an attraction tool or not. I don't agree that they should use the trust as part of

this system. That is what HR is for. The scoring system should be level and equal scoring for all individuals. The company is always quick to point out that there are company issues and trust issues. Well that should be a company issue

You mentioned the scoring system. What are your views of the scoring system?

Like I said earlier I already get remunerated for my value adding so why does the system further benefit the financially empowered more than the rest.

You also mentioned that females and disabled PDI's are favoured in legislation, do you think the scoring system should reflect this as well?

That's a moral issue. From a professional perspective I would say everyone is equal but taking a historic perspective I would agree with government's legislation that females and disabled PDI's were more discriminated against and should be more financially empowered than their male counterparts. I think they should score more but within reason, not like the system discriminates against.

I just want to summarise what you said to make sure I understand it. You think females and disabled individuals should be more benefitted due to their historically marginalised position. Is this correct?

Yes that is correct.

Is it then not possible for certain individuals to point out that they were also more marginalised than others in the apartheid era and thus should be benefitted more? We know of instances where some beneficiaries were severely affected and others only minimally. Does that argument not have the same underpinnings?

That is true. It does have the same moral basis, but that is something that the trust cannot be held responsible for. The past happened; we cannot change it, which is why we need to find a common ground. We cannot afford to split it down to that level because it will get tenser and sticky and i don't think that was the intension of the BBBEE act.

At the start of the conversation you mentioned the separation between the trust and the company. As you know the board of trustee consists of two company trustees who also happen to be directors of the company. What is your view on these trust structures?

There is a definitely a conflict of interest there. After all I am an employee of the company and for me a trustee cannot be part of the company. You have to keep your thinking separately and I don't think that is happening. The company is definitely being favoured. At director level you deal with company politics and intimidations which hamper your duties as a genuine trustee. It is not easy to make a distinction between the two and when it is advantageous the issues about the company and the trust being different entities gets used as a convenient excuse.

We are unfortunately running out of time so I would like to pose a final questions, what would you say is a good measure of success for the trust? What would you consider as a successful trust?

I think good communication within the trust, educated beneficiaries and trustworthy trustees. I think the big thing is the split between, clearly defining what are trust issues and what is company issues and we have to understand that. The financial part is actually a plus for me, but being part of the trust, we as PDI's asking ourselves what we can do to help the company make money, what extra mile can I go? Also if as a PDI I get more recognised within the company as well because there is definitely still an old boys club in this company and it has translated to the trustees.

But change is happening slowly. But someone has to push it someone has to ensure we have equality and that should be the trust that pushes for that. I still think there is a very authoritarian management style within the company and the trust. If we could all put our issues on the table and not shout and scream at each other, get away from this us and them scenario we have currently and move more towards collaboration. Those are my views.

Thank you very much for your time.

Interview 3

Date: 07.10.13

Time: 10H30

Interviewee: Beneficiary Trustee

Can you describe your position within the trust?

Well I'm a founding trustee of the trust. At the foundation of the trust there were obviously no beneficiaries yet from which to choose a trustee so as one company directors and also one of the first beneficiaries of the trust I was selected by the company to become a trustee. My period as a trustee was for three years after which I am open to be replaced.

In your opinion can you give me what you think is the purpose of the trust

The main purpose is a mechanism to spread possible dividends to which funds can flow to beneficiaries. There is also a reason why the trust is in existence so in terms of public funds being spent on service providers there is a BBBEE requirement of which the trust contributes to the ownership component, so in terms of the company's perspective this is also one of the primary function of the trust. The trust has potential to become more than what I just said. Beneficiaries also see the trust as a mechanism to achieve other goals, other than just financial reward, they are looking to the trust to create opportunities for career development. Some are looking at the trust to create "fame" for themselves; some have "hidden" agenda's.

You mentioned that beneficiaries see the purpose of the trust as different to those what the company sees it as. Beneficiaries also see it as a mechanism to achieve other goals. Does the trust structures allow for any of these at the moment?

No, at present the structures does not allow for it, but the need exists. The need has been identified by trustees before but for various reasons it always fails. Obviously the company issues come into play as well. That is why there is a very important link between trustees and the company's executive board. Fortunately for this trust there is a direct link between the board of trustees and the Board of Directors. The problem is that the voice of the masses must just be channelled correctly through the elected trustees to the BOARD OF DIRECTORS and I think that is not happening to the moment. I know there we still lacking as the masses does not have channel functioning properly.

You mentioned the link between the trustees and EXCO and that you think this is a good thing. To date however the situation seems to suggest that it has produced no real benefit to the trust. Do you believe this to be true?

It should be a good thing and information should flow freely especially at trustee meeting as well, about and to matters arising about the mess of beneficiaries. I don't think it's been handled effectively and that is an issue we need to deal with as trustees.

So you can recognise the pathology in the system?

Yes and we are working on getting better at it.

Would you like to elaborate on that?

Well yes we are working on getting it better and making the process more streamlined I think that is enough said.

Many of the beneficiaries think there is conflict of interest with ECO members sitting on the board of trustees. You mentioned what you think are some of the positives, but there is some who argue that EXCO also force their own agenda's onto the trust?

No I don't think the conflict exists purely because the intention of trustees will always be for the benefit of the company because it is a company trust. Decisions, agenda's must always be for the benefit of the company so EXCO members pushing their agenda's onto the trust and it being bad for the company would make no sense in the first place because why would you damage the company. I think it just allows EXCO to communicate with a large percentage of its staff to also deal with matters that are companywide matters, which in my opinion, that opportunity is not being exploited fully either.

Who would you say are the intended beneficiaries of the trust?

PDI's, obviously with each PDI comes the rest of South Africa as per government's legislation but the immediate beneficiaries are the PDI's within the company. There are also secondary beneficiaries which are the friends and families of the company PDI's who also benefit from these structures that can share in the potential benefits of the trust.

As the intended beneficiaries of the trust do you not think the intension of the trust and decision being made within the trust be for the benefit of beneficiaries instead of – and I'll use your words for a second – for the benefit of the company?

When it comes to trust decisions the benefit should be for beneficiaries, but when it comes to trust EXCO members sitting on the board of trustees the benefit will always be for the company as they are looking after the company's best interest. They will not shoot themselves in the foot by forcing negative agenda's onto the trust.

Is this not the conflict of interest that exists and can the two not live in harmony?

This is an opinion and depends where you want to view it from. It becomes a matter of perspective and depends which side of the fence you on. Beneficiaries will always want to see thing their way and the company will always see things their way also. The two will rarely align... (Importantly there is a notion of two entities being highlighted here)

So this misalignment between the two entities, is this a cause of conflict within the trust?

That is one of the reasons but I think the biggest reason is the lack of dividends. The first year dividends were declared and everyone was happy. To me it was proof that the bulk of beneficiaries, what matters is the money and not really about the goals and intensions of the trust. So the lack of dividends is another one. The other is the lack of communication and also the lack of understanding of the communication.

I can make you listen to my communication but I cannot make you understand my communication if you don't want to especially if it's not something you want to hear like in the case of no dividends. The bulk of the beneficiaries are the lower educated personnel so I find they struggle to understand the mechanisms within the trust and their focus is normally only fixed on getting out dividends and centred around themselves and that the trust cater for their specific needs. That sparks frustration. Then there is also the inability of the structure to deliver on what they say.

Trustees sometimes create expectation and due to insufficient resources cannot deliver on those promises, which causes ore frustration and a lack of trust towards trustees.

You mentioned money. How money gets spread inside the trust is the scoring system. What are your views on this scoring system?

The scoring system is not where it should be. I agree with some beneficiaries that there are certain areas where more focus should be placed and not purely on your company based position because the BBBEE originated from the fact that the lack of financial effluence was very poor in some communities and those people do not have the educational background to uplift themselves and they were the ones who should be targeted for financial empowerment. Our mechanism at present does not reflect that. So I think there should be a shift for extra elements being brought into the scoring system.

Do you believe the system is working as intended?

Well I do think it's working as intended because from a company's perspective the core resources are the engineers and the technical staff so they are the ones being targeted as this is also seen as an additional perk. And if the mechanism is such that it is no longer seen as a benefit to those core technical staff it might become a risk to the company in that senior black engineers would more easily leave the company as there is no real benefit within the trust. So being a company trust it must be aligned with company policies and that is that it is a retention and attraction tool of quality PDI's

So the system is working as intended but is not really aligned with the objectives of the BBBEE legislation. Do I understand that correctly?

Well I wouldn't say that it's not aligned but it certainly needs some more attention. You must remember that those PDI's benefitting has a value chain which they all support be it their parents or grandparents, uncles or aunts etc. any money they get also support those structures so it might not necessarily benefit those PDI's I mentioned that it should benefit as much but it certainly does add up in the big scheme of things

I understand your explanation regarding the chain of value adding but does the trust not have a direct responsibility to the "lower ranked" beneficiaries?

Well like I said this is a company trust and the trust has a responsibility to the company as well

Do you not think there is an ethical consideration which is not being regarded?

I don't think so because of this value chain I referred to. So I don't think ethically we that wrong but we could improve on it.

What would you consider a measure of success within the trust?

Firstly would be the distribution of dividends as this is at the heart of the trust and important to all the beneficiaries. Another success would be if the trust is able to achieve and assist the company in achieving its goals in using the mechanism to connect ECXO with the beneficiaries so that ordinary beneficiaries can better communicate with ECXO and EXCO can better understand the needs of PDI masses. The company acknowledging that there is a short fall in the structures in terms of PDI recognition and involvement and those beneficiaries within the company are actually recognised and earmarked for accelerated growth in positions that mattered.

Lastly a drop in the number of PDI's leaving the company's that stabilises than I would consider it a success. This retention rate is still too low and the company is failing in this regard. The trust is making the right noises and it's not getting to EXCO loud enough.

Okay, thank you very much for your time

APPENDIX F: CSH ANALYSIS OF THE RHEST

To help me further understand system boundary selection, identify stakeholders like marginalised beneficiaries and unfold boundary judgements systemically, I used the 12 boundary questions of CSH to provide a different way of thinking about the problem situation and what is likely to encompass feasible changes. The CSH process is documented in Appendix A and its application is discussed in this Appendix.

Ulrich (2010) notes four sources of selectivity which he claims “is essential for gaining a sense of orientation and making decisions like what the intervention is all about”.

By considering these four sources of selectivity, the practitioner can highlight their own built in assumptions and limitation they bring to the situation. It also highlights assumptions on what the system claims to achieve what the conditions of success depends on (Ulrich & Reynoldts, 2010).

Through their field experience Ulrich and Reynoldts (2010) starts their research approach by mapping two distinct situations – the “ought to be” and the “as is” situation. They use these conditions to highlight both the boundary judgements and power relations within the system. This will be the technique employed here.

Chapter 1 of this research paper explains the current situation of the share trust and this understanding of the situation was used in conjunction with CSH to describe the current or “as is” situation within the RHEST. This Appendix is used to map the “ought to be” situation and so highlight boundary judgements and assumptions.

The twelve question approach is adopted from Ulrich (2005. p 11). After each set of three questions I capture my insights in a brief comments section.

CRITICAL SYSTEMS HEURISTICS 12 QUESTION APPROACH – “OUGHT TO BE” SITUATION

Sources of motivation

Who is (ought to be) the client or beneficiary? That is, whose interests are (should be) served?

Beneficiaries agreed that the intended client should definitely be previously disadvantaged individuals but more so, PDI’s who require financial empowerment. From my perspective this

seems to be aligned with government's BBBEE legislative objectives of empowering the financially disempowered.

Interviews with company directors revealed that they believe the company should also be considered as part of the ultimate benefactor and that all PDI's, not just the financially disempowered, should form part of the beneficiaries.

The company trustees and directors believe that the needs of the company should be addressed first in terms of value adding qualified individuals and BBBEE scorecard requirements. These views are conflicting to beneficiaries' believe that lower level PDI's should be the principle beneficiaries.

What is (ought to be) the purpose? That is, what are (should be) the consequences of the system?

Again there seemed to be disparity in the purpose of the system. Beneficiaries believe the sole purpose or at least the primary purpose should be to financially empower those PDI's who need it most.

Whilst the company directors' perspective is that the trust should be used to maximise its BBBEE scorecard and act as a retention tool for value adding professionals with empowerment of PDI's almost seen as a by - product.

What is (ought to be) the measure of improvement or measure of success? That is, how can (should) we determine that the consequences, taken together, constitute an improvement?

The measure of success currently is the company's BBBEE scorecard which is maximised by the current set up in the trust.

In an interview with the company trustee the measure of success of the trust system was described as:

- A retention and attraction tool for black professionals;
- A profit sharing mechanism for all PDI's within the company according to the scoring system allocation;
- Less issues from beneficiaries being raised;
- Better communication within the trust;

Researcher's Notes

From the ensuing conversation between the beneficiaries present at the workshop the sources of motivation revealed the different perspective and stakeholder objectives within the system.

Significantly the current purpose and the intended purpose of the trust are very similar to what (only) one stakeholder (company trustee) described the system as. This further cemented the powerful position held by this stakeholder. The questions revealed the misalignment of perceived system purpose from two major stakeholders which further promoted and confirmed the complexity of the problem situation. From the interview held with different stakeholders the misalignment of systems purpose became even more apparent.

Sources of power

Who is (ought to be) the decision-maker? That is, who is (should be) in a position to change the measure of improvement?

The current decision makers in the trust are the Board of Directors of the company. There is also a degree of power attached with the position of trustee within the trust and this has an influence on some of the senior beneficiaries who values the position of trustee as it allows them to possibly promote their careers at a higher level. However, within the trust, trustees have very little actual power within the trust structures and this is evident when one investigates the power of trustees as described in the trust deed which is the overriding control document within the trust. Ideally, given the structure of the Board of Trustees and its combined representation the trustees should be granted additional power.

What resources and other conditions of success are (ought to be) controlled by the decision-maker? That is, what conditions of success can (should) those involved control?

The most important resource within the trust is the scorecard assigned points which has a monetary value attached to it in the case where ordinary shares are declared. This is currently only controlled by the company Board of Directors and suggestions may be considered from the Board of Trustees. Given the relative status of the Board of Trustees this is the most likely entity to be considered for the control and decision making over the scoring system.

What conditions of success are (ought to be) part of the decision environment? That is, what conditions can (should) the decision-maker not control (e.g. from the viewpoint of those not involved)?

From the perspective of the beneficiaries, the power structures within the trust are extremely unevenly balanced. One major stakeholder, the company's Board of Directors controls all the major decisions within the RHEST and the structures and policies in place promote this discrimination of power even further to a point where control can only be granted to other stakeholders through structural changes in the trust deed which can only be determined by the stakeholder that it already favours. This makes it almost impossible for other stakeholders to have a fair and indiscriminate voice within the trust. With the representation currently on the Board of Trustees which provides for a form of autonomy, this should be at least one of the conditions which the trustees should not have control over as this will affect the autonomy of the entity.

Researcher's Comment:

From the conversation held at the workshops it became apparent from some of the founding beneficiaries that the system it seems was initiated with good intentions but one of the conditions imposed onto it, namely the scoring system, has somewhat disabled this good intention and is one of the major factors for disgruntled beneficiaries. This fact makes transparent the power basis in the system in that the only stakeholder able to cause or indeed allow intervention in this system is the company Board of Directors and their view was made very clear during the interviews granted (see Appendix E).

Sources of knowledge

Who is (ought to be) considered a professional or further expert? That is, who is (should be) involved as competent provider of experience and expertise?

The VSM analysis shows that (S4), the trust chairman is considered the expert on matters relating to the trust. Although this is the case within the trust, very little actual power is assigned to the trust chairman and his position is more of an advisory capacity only. His involvement is limited to mostly trustee meeting only. The chairman also has very little interaction with beneficiaries.

What kind of expertise is (ought to be) consulted? That is, what counts (should count) as relevant knowledge?

The chairman has vast experience in setting up structures for company trusts. However as the VSM revealed the trust chairman has very little experience in running company trusts as chairman or even as a trustee.

Researcher's Comment

One of the factors requiring independence from the decision makers (Board of Directors) is the knowledge or expertise to deal with the trust system. This is present in the system in the form of the trust chairman. However as the VSM analysis showed, although the trust chairman has vast experience in setting up trust structures and trust deeds for company's he has very little experience at running trusts at chairman level. The chairman also has sufficient exposure to the Board of Directors (who also appears as the trustees) however he has no influence or sufficient power to make interventions at trust level. His role is that of advisory mostly and this provides a false source of guarantor. Furthermore, the role of the trustees, as deduced from the interviews obtained and revealed by CSH, is generally assuming a narrow authority that does not allow for inevitable uncertainties and unexpected consequences.

Sources of legitimation

Who is (ought to be) witness to the interests of those affected but not involved? That is, who is (should be) treated as a legitimate stakeholder, and who argues (should argue) the case of those stakeholders who cannot speak for themselves, including future generations and non-human nature?

This again should, in the opinion of all the beneficiaries present at the workshop, be the Board of Trustees as the board contains stakeholders which should look after the interest of all the stakeholders involved. An example of this is the office managers which are currently being marginalised. Given more scope their needs could be further addressed by trustees as the trustees have director representatives as well who fails to recognise the need to include such stakeholders but are recognised by beneficiary trustees. Currently the relationship is too strained for the two “camps” to highlight any deficiencies of the other which leads to such issues being overlooked.

What secures (ought to secure) the emancipation of those affected from the premises and promises of those involved? That is, where does (should) legitimacy lie?

Legitimacy should lie with the trustee’s

What worldview is (ought to be) determining? That is, what different visions should be considered?

Currently only one worldview is considered, that of the Board of Directors, no other views are being considered and this is causing plenty of tension within the trust.

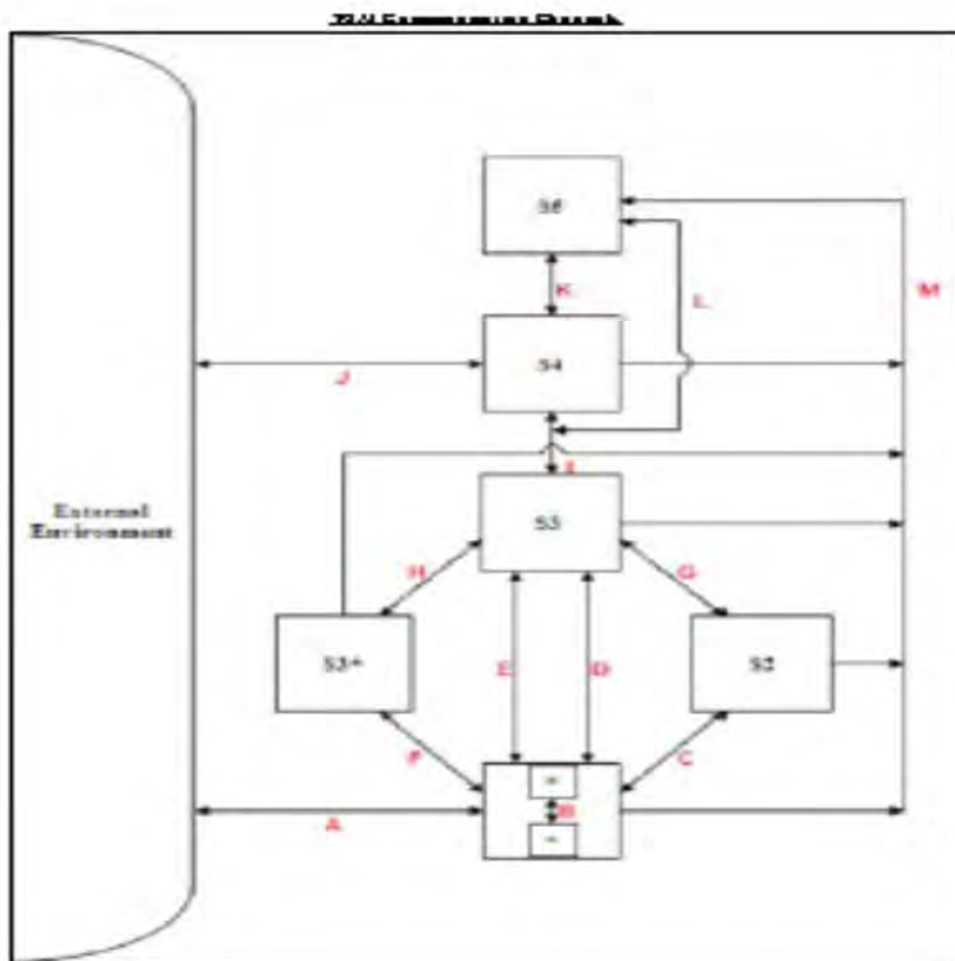
Researcher’s Comment:

The questions regarding the sources of legitimisation had a profound effect on the beneficiaries present at the workshop. Many of the beneficiaries remarked that they can better relate to the view held by the company directors in “protecting unrepresented” stakeholders in the trust. Many of them did not even consider the “silent” stakeholders, like shareholders and company office managers who is also affected by issues within the trust and how these issues are resolved. They also became “more understandable” as to why the company trustees make some of the decision they make but also remarked that they are still not fully in agreement with some of the structures within the trust. Most beneficiaries also became acutely aware of the greater role that trustees should and could play within the trust. Regretfully, none of the company trustees was present for this.

This is the end of Appendix F which described the analysis of the RHEST using Ulrich’s CSH .

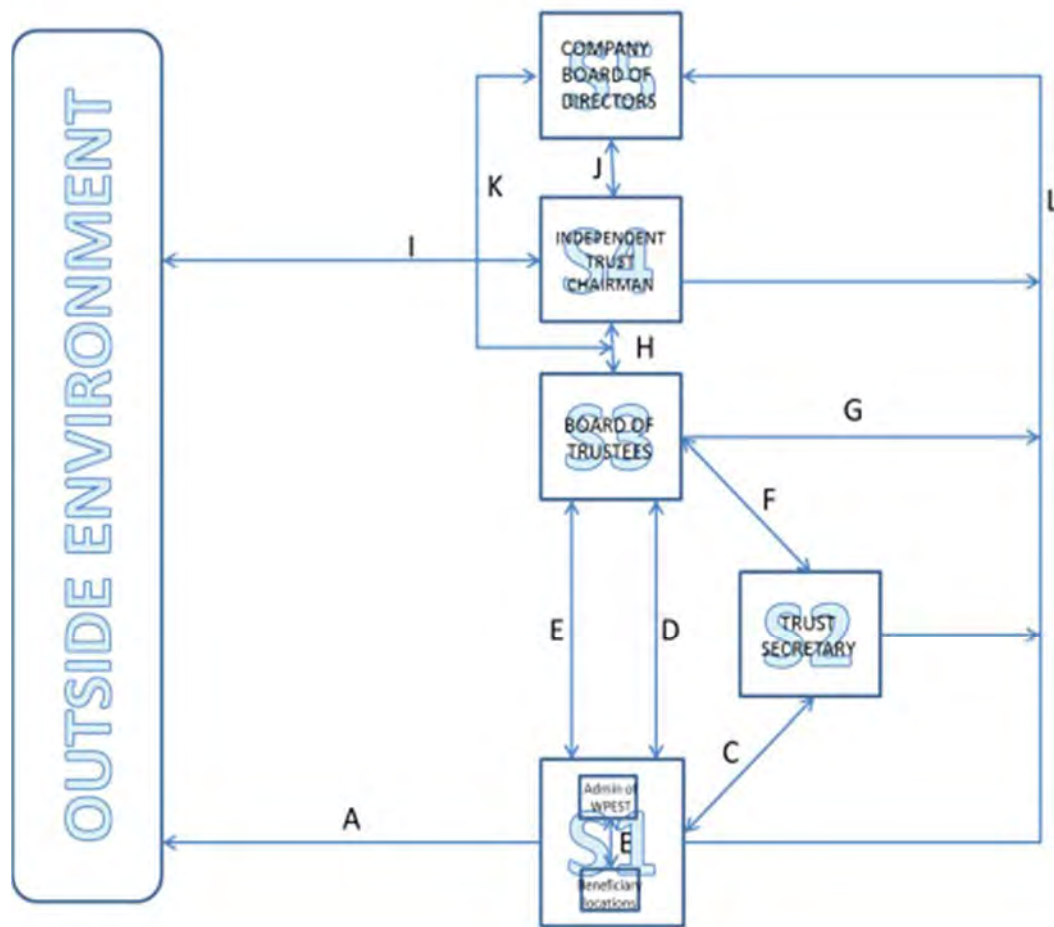
APPENDIX G: VSM INVESTIGATION INTO INFORMATION FLOW WITHIN THE RHEST

This Appendix investigates the viability of the trust by diagnosing the system using the Viable Systems Model for communication and information flow. This diagnostic is primarily aimed at looking how the information flow within the trust is structured and operated for viability. The model used for the investigation is a modified version of Beer's original VSM model. The model applied uses Beer's original VSM but diagnosis only the information channels within the system. The Figure 1 below depicts the modified VSM with information channels shown between the systems 1 – 5 as described in Appendix A.



Appendix G Figure 1: Modified Version of Beer's VSM

Using the above Figure 1, the modified VSM is done on the RHEST and is briefly discussed on the following page:



Appendix G Figure 2: Modified VSM Applied to the RHEST

Description of systems 1 – 5 using the modified VSM

This section of the Appendix discussed the analysis of the information channels for the RHEST as shown in Figure 2 above.

System 1 – this system contains activities like:

- individual beneficiary locations;
- organizing of beneficiary lists;
- updating beneficiary points;
- updating and maintaining SharePoint website;
- administration within RHEST structures.

System 2 – Coordination functioning of the trust is done by the trust secretary, also acts as attenuator for information channels into and out of system 1

- Trust secretary

System 3 – Operational control of system 1 is performed by Board of Trustees. Board of Trustees ensures S1 adheres to rules and regulations as set out in trust deed

- Board Of Trustees

System 4 – Focuses on the outside environment for internal viability through suggestive adaptation, this role is performed by the independent chairman of the Board of Trustees who obviously also forms part of the Board of Trustees (S3)

- Independent Chairman of the Board of Trustees

System 5 – policy is provided through the trust deed document and this is formulated by the company Board of Directors who act as S5. Final decision making for any policy and structural changes within the system is done through the company Board of Directors

- Company Board of Directors

External Environment – the external environment for the RHEST consists of a large array of entities. As a sub system of the company, the external entity is the company itself which is very significant given the purpose and the information channels linked with S4 and the current disconnect between S4 and the company

- Internal Company (including company policies, structures and associated entities);
- Government legislation specifically BBBEE legislation;
- Good code of practice for BBBEE trusts;
- Similar trusts structures/norms/practices in industry.

CHANNEL A

The information flow between the outside environment and S1 elements are almost non – existent. Some information flow takes place between S1 and the outside environment (the company structures especially) but this is very minimal (Trust Chairman, 2013). The culture within the company is such that matters pertaining to the trust are discussed exclusively within trust structures only. This leads to minimal interaction between S1 and the outside environment and judging by the culture it is unlikely to change anytime soon (Beneficiary Trustee, 2013).

CHANNEL B

Within the S1 elements there has been an increasing activity of information flow between especially beneficiaries from different cost centres of the company (Senior Beneficiary 1, 2013). These cost

centres are situated in four different locations throughout the country. Significantly the type of information being processed in these channels deal predominantly with beneficiaries self-organising around presenting issues they have within the trust to the trustees. This information channel is mostly self-regulating but is led by a few senior beneficiaries who generally start discussions around issues beneficiaries feel should be highlighted (Senior Beneficiary 1, 2013). A typical product from these discussion are some of the memorandums send through to trustees which was also used to generate my rich picture presented in the first workshop and are documented in Appendix H.

CHANNEL C

The trust secretary (S2) has the most active information channel interacting with S1 within the system. Generally all information between the trustees (S3) and the beneficiaries are done through this channel. However, as the “official” channel for passing information between these stakeholders, this channel is currently also only used to transfer “official” information like meeting minutes, proxy forms, occasional trustee feedback etc. The trust also has a dedicated SharePoint website for posting information and important documents which forms part of this information channel but is rarely used and underutilised at best. The SharePoint site is underutilised and very few beneficiaries know about or how to use the site effectively (Senior Beneficiary 2, 2013; Senior Beneficiary 1, 2013). This was identified as a valuable underutilised communication resource.

CHANNEL D/E

The flow of information between S3 and S1 is non-existent. The only manner for information to reach from S3 to S1 is currently through S2 (Senior Beneficiary 1, 2013). This creates additional issues regarding the attenuation and amplification of the information being processed from S3 to S1. It also places a strain on the relation between S3 and S1 and could potentially be one of the leading factors for the apparent distrust (Trust Chairman, 2013). One beneficiary described the relationship as a “parent – child” relationship between beneficiaries in S1 and trustees in S3. The lack of information flow between these entities supports this notion and is the leading potential reason for the alienation between these two parties (Trust Chairman, 2013).

The information flow between S3 and S1 is too reliant on S2 and also clearly unsustainable as it literally comes down to a decision of one individual – the trust secretary (situated in S2) as to when and how information will be transmitted between S1 and S3 and this is clearly unsustainable.

CHANNEL F

This is another vibrant information channel which is very active. Information passed through this channel is in the form of regular emails, messages and meetings. As a result the trust relationship between S2 and S3 is also much healthier in comparison with S3 and S1 and has a direct influence on channel D/E which was found to be non-existent and a potential driving concern for other related issues.

CHANNEL H

Although channel H has become more vibrant over the last few months, I would argue that this was mostly as a result from the issues raised within the trust and trustees becoming more reliant on S4 for advice and guidance on the issues. This channel has been used with increased regularity lately and has also resulted in a more robust relationship between trustees and the trust chairman (Company Trustee, 2013). However, the quality of the information being processed has a direct link to requisite knowledge of S4 (Trust Chairman, 2013). Given the little amount of interaction S4 has with the trust entity, except through information passed from S2 to S3, the quality of information passed in this channel is highly reliant on Channel F and the quality of information passed in Channel F. Over time this has forced S4 to interact with S2 on a more regular basis to try and extract more information to built up more requisite knowledge of interaction at S1 in order to make more informed consultative decisions.

CHANNEL I

S4 had a very active information flow channel with the outside environment but this is limited to an outside environment outside the company only. There is no information channel between the S4 (the trust chairman) and the internal company environment which also form part of the RHEST system's outside environment (Trust Chairman, 2013). The only interface S4 has with the company and indeed with S1 is through its contact with S2. This creates a very limited view of what is happening within S1 (Trust Chairman, 2013). It also makes S2 a very powerful system in terms of information distribution. What makes this significant is that S4 is frequently consulted on resolution of issues within S1 but does not have the requisite knowledge of what exactly is happening inside S1 to be able to comment intelligently on the matter and relies heavily on S2 for consultation on certain matters. As the trust chairman occupies the role of S4, he is also effectively removed from beneficiaries as are the trustees in S3. As with channel D/E this could be a potential reason for the break in relationship between the trustees,

trust chairman and the beneficiaries and the potential lack of trust between these parties (Trust Chairman, 2013).

CHANNEL J

S4 has an information channel with S5 through the fact that trustees in S3 are also company Board of Director members at S5. Thus channel J is reliant on what happens inside S3 and channel H (Trust Chairman, 2013). Due to the current structures there is no potential for S4 to interact with S5 unless through S3 activities which puts a severe strain on how S5 makes decisions that is influenced by S4. There is also a potential for abuse as not all S5 entities are exposed to information being passed from S4 but only those present in S3 (Beneficiary Trustee, 2013). Thus the dynamic has evolved to an extent that decisions made by S5 (which includes elements from S3) naturally tends to advantage S3 at the expense of S4. This is significant given the interventions needed in the trust and how these interventions are motivated and approached.

CHANNEL K

The information in this channel is mostly regulated by activities within S3 and is consists of information regulating to activities and decisions within S5. Therefore the information also tends to favour S3 (Beneficiary Trustee, 2013). This is to be expected as directors on the Board of Directors (S5) also act as trustees on the Board of Trustees.

CHANNEL M

Channel M is non-existent as there is no direct information channel between S5 and S1. As previously indicated both Board of Directors members (S5) also act as trustees (S3) (Company Trustee, 2013). Since S1 has no information channel with S3 and also no information channel with S5 the result is the same (Senior Beneficiary 1, 2013; Senior Beneficiary 2, 2013). This is a major pathology within the system which almost all members interviewed, indicated should be remedied. The pathology identified only serves to confirm this fact.

Discussion regarding pathologies identified

During the discussion of the identified pathologies within the information flow channels of the trust both the trust chairman, the trustees and senior beneficiaries made various commitments to the

resolution of some of the pathologies identified. The conversation evolved around how the trustees and especially the trust chairman can make themselves more accessible and available for beneficiaries. Beneficiaries also identified with some of the information flow pathologies and suggested various interventions they felt were needed to improve the situation. During this time I had very little inputs and rather allowed the conversation to evolve naturally.

What was significant during this period is that for the first time, some of the beneficiaries had direct contact with the trust chairman who also seemed to naturally assume the role of 'chairing' the conversation and allowing everyone an opportunity to express their opinions and concerns. At one point I was requested to present to the chairman and the trustees present the rich picture and the two major identified concerns to further understand the issues from beneficiaries.

This concludes Appendix G and the analysis of the information flow channels within the trust structures. The analysis identifies several pathologies within the information flow structures of the trust and also provides credibility towards the claim from beneficiaries that information flow and communication within the trust is poorly conducted and managed.

APPENDIX H: ADDITIONAL INFORMATION USED WITHIN THE RESEARCH

INVESTIGATION

This Appendix contains all the additional documents used for obtaining raw data regarding the problematic situation. This includes emails and memorandums send through from beneficiaries prior to the research process. The concerns raised in these documents were used to generate the initial rich picture and as part of the data collected for the data analysis process in Appendix C.

Figure 1 below was send through from beneficiaries to the trust secretary as concern issues that needed to be addressed.

Figure 2 below shows an additional memorandum that was send through to me, as trust secretary for the Trustees' attention on some further issues experienced within the trust. This correspondence was sent through from the Pretoria office after beneficiaries held an internal meeting.

The email correspondence was send through only one month after the first correspondence was received from all the beneficiaries.

This information compliments the discussion and VSM analysis conducted in Appendix G.

Also included is the signed attendance sheets from the workshop sessions, all names but have removed the contact details on the document for anonymity of the personnel within the RHEST.

From the undersigned beneficiaries To Trustees of [REDACTED] BBBEE Share Trust

Background

This year, end June 2013 was the third (3rd) end-of-financial-year existence of the WPEST BBBEE Share Trust. To date, only one dividend payout realized, which was R 2,9M to Previously Disadvantaged Individuals (PDI's), which was at the end of June 2012. An announcement was already made in a "meeting" in Cape Town that the payout of any dividends this year is highly unlikely. Keeping the aforesaid in mind; on an average total of 200 PDI's in the Trust, equated over a two-and-a-half year period, the company empowered of uplifted the PDI's in this company by R 5800 or USD 580 per year, per person.

Many individuals are in the company for up to 30 years, and are still living in poverty; the WPEST Trust is thus not successful in its (and Government's) objective to empower and uplift PDI's.

The undersigned beneficiaries request the following be discussed and considered at the next [REDACTED] Trustee meeting:

1. We request the minutes of the meeting where it was decided to accept the model by which preference shares would be paid to [REDACTED] global whenever an acquisition is made in South Africa.
2. The current black Trustee's, never brought the proposal to the black beneficiaries to also give their input. A resolution was thus reached, without the knowledge and consent of the beneficiaries.
3. The feeling is that "the elected black trustees" did not act "within the framework of the mandate", which is to represent and make decisions in the best interest of the beneficiary members.
4. After the resolution was reached, the effect and consequences of the resolution was never communicated to the beneficiaries. It was only categorically stated in meetings that the decisions were made by the Board of Directors; shareholders were investing their money in the company through acquisitions, and they have the full right to take preference shares, as it was their money that grew the business.
5. Black beneficiaries have no say, as they did not pay for any shares.
6. Even if the model or resolution is legally sound, it is not done in the good spirit of BBBEE.

This list of questions/items is the result of Richard Ramplin, requesting that beneficiaries forward their concerns to him, for discussion at the next Trustee meeting. Beneficiaries had discussions amongst themselves and collectively drew up the above list. Unfortunately not all beneficiaries were part of the discussion but a total of 70 signatures, which was close to 90% of the individuals that knew about the list, agreed and want to put forward the above list. As more people are reached, more questions will be added.

Appendix H Figure 1: Page 1 of 2 - Memorandum of Concern Send to Trustees from Beneficiaries

7. We object to the resolution of introducing the payment of preferential shares prior to paying ordinary shares to black beneficiaries.
8. We object to the resolution that shares received are not owned by individuals but owned by the Trust.
9. We request that the documents is made available showing where, when and by who the above resolution were proposed, seconded and accepted.
10. We request to increase the number of Trustee members. At least one woman and one African to be elected.
11. We request to replace m [REDACTED] with a black independent individual with the necessary experience in BBBEE.
12. The Trust Deed needs to be amended, and at least include the following:
 - a. The duties towards members of the trust, i.e. minimum number of meetings per year, excess to financial statements, communication, transparency within the Trust
 - b. Procedure of "vote of no confidence",
 - c. The election and powers of a secretary
 - d. The election and powers of coordinators
 - e. Availability (and confidentiality) of the Trust deed to its members
 - f. Point allocation
13. If we cannot get the dividends based on the company making a profit, then why is it that we only hearing the loss on the "Trust" and not from [REDACTED] CEO, forwarding everyone about the loss made.
14. Communication needs to be improved.
15. We should revisit last year's minutes and promises made
16. e.g Open cards where it was stated that we as part of shareholders can have access or view on the financial status of the company whether we are performing or not.
17. Will the Company pay out any Bonuses in November? Where are these bonuses funded from?
18. Why is the share scheme treated as a secret; as the clients, Department of Trade and Industry (Dti) and all others know or should know about it? Reality is: blacks were, and still are disadvantaged; the trust should be used for exactly what it is meant to do, and that is to empower the beneficiaries to have 30% say/vote in the EXco through the Trustees and share 30% of [REDACTED] profits.

This list of questions/items is the result of Richard Ramplin, requesting that beneficiaries forward their concerns to him, for discussion at the next Trustee meeting. Beneficiaries had discussions amongst themselves and collectively drew up the above list. Unfortunately not all beneficiaries were part of the discussion but a total of 70 signatures, which was close to 90% of the individuals that knew about the list, agreed and want to put forward the above list. As more people are reached, more questions will be added.

Appendix H Figure 2: Page 2 of 2 - Memorandum of Concerns send to Trustees from Beneficiaries

Subject: RE: Questions to be added to agenda of next Trustee meeting

Good day all,

The Pretoria meeting touched on many aspects of the Trust.

Some of the highlights were:

- The structure/relationship between the Trust (██████████) (Global ██████████ A GROUP) and the organization (██████████ A HOLDINGS). See attached diagram (still being studied).
- Acknowledgement that the Trust "belongs to us (beneficiaries) and not to the company (██████████ A GROUP / P Global).
- Acknowledgement that the Trustees need to make financial information available (including the ██████████ acquisition agreements between the Trust and ██████████ Global).
- Acknowledgement that "It is time for change", i.e. election of two Trustees to be done on the next AGM (sometime in October 2013).

Some of the lowlights were:

- No payout this year because the organization (██████████ HOLDINGS) did not make profit. I believe there was no profit last year either.
- Trust needs to repay funding of ██████████ deal (awaiting full details of this debt; Trustees took all decisions on behalf of beneficiaries)
- Some burning issues such as Point System will stay (only review level 2 requirements).
- The some answers from the Trustees were contradicting (Trust does not belong to company but company board approval seems to be required for all decisions).
- There are still problems with Coordination, Communication and SharePoint.

The Pta beneficiaries have formed a forum and are meeting regularly to find solutions to the problems. This was accepted by the present Trustees as a way forward.

The Trust Deed does allow for amendments and we (Pta) intend to understand these provisions and change what can be changed and accept that which cannot be changed.

Yesterday we realized that we need task teams (and team leaders) for the following:

- Trust deed – interpretation and translation, summary for info pack, compliance to the intent of the Trust, compliance to the B-BBEE Codes, etc.
- Co-ordination (Pta) – meetings, information, up to date contact lists, etc.
- Business/Financial Reports – Trust running costs, debts, projections, etc.
- Meaningful Participation – Trust representatives on Development/Transformation Committee, Employment Equity/BEE Committee, Exco, Recruitment/Job Grading Committee, etc.

We (Pta) invite neighboring offices (Polokwane, Secunda, etc.) to join us. We will be circulating regular updates. We recommend that other offices also start the ██████████ Forums.

Suggestions are welcome.

Regards,

██████████

██████████ Forum - Pretoria

Be part of the solution!!!

"Go alone, go fast; go together, go far"

Appendix H Figure 3: Additional Memorandum of Concern Sent to Trustees from Beneficiaries in the Pretoria Office

1	Mr. [unclear]	[unclear]
2	Mr. [unclear]	[unclear]
3	Mr. [unclear]	[unclear]
4	Mr. [unclear]	[unclear]
5	Mr. [unclear]	[unclear]
6	Mr. [unclear]	[unclear]
7	Mr. [unclear]	[unclear]
8	Mr. [unclear]	[unclear]
9	Mr. [unclear]	[unclear]
10	Mr. [unclear]	[unclear]
11	Mr. [unclear]	[unclear]
12	Mr. [unclear]	[unclear]
13	Mr. [unclear]	[unclear]
14	Mr. [unclear]	[unclear]
15	Mr. [unclear]	[unclear]
16	Mr. [unclear]	[unclear]
17	Mr. [unclear]	[unclear]
18	Mr. [unclear]	[unclear]
19	Mr. [unclear]	[unclear]
20	Mr. [unclear]	[unclear]
21	Mr. [unclear]	[unclear]
22	Mr. [unclear]	[unclear]
23	Mr. [unclear]	[unclear]
24	Mr. [unclear]	[unclear]
25	Mr. [unclear]	[unclear]
26	Mr. [unclear]	[unclear]
27	Mr. [unclear]	[unclear]
28	Mr. [unclear]	[unclear]
29	Mr. [unclear]	[unclear]
30	Mr. [unclear]	[unclear]
31	Mr. [unclear]	[unclear]
32	Mr. [unclear]	[unclear]
33	Mr. [unclear]	[unclear]
34	Mr. [unclear]	[unclear]
35	Mr. [unclear]	[unclear]
36	Mr. [unclear]	[unclear]
37	Mr. [unclear]	[unclear]
38	Mr. [unclear]	[unclear]
39	Mr. [unclear]	[unclear]
40	Mr. [unclear]	[unclear]
41	Mr. [unclear]	[unclear]
42	Mr. [unclear]	[unclear]
43	Mr. [unclear]	[unclear]
44	Mr. [unclear]	[unclear]
45	Mr. [unclear]	[unclear]
46	Mr. [unclear]	[unclear]
47	Mr. [unclear]	[unclear]
48	Mr. [unclear]	[unclear]
49	Mr. [unclear]	[unclear]
50	Mr. [unclear]	[unclear]
51	Mr. [unclear]	[unclear]
52	Mr. [unclear]	[unclear]
53	Mr. [unclear]	[unclear]
54	Mr. [unclear]	[unclear]
55	Mr. [unclear]	[unclear]
56	Mr. [unclear]	[unclear]
57	Mr. [unclear]	[unclear]
58	Mr. [unclear]	[unclear]
59	Mr. [unclear]	[unclear]
60	Mr. [unclear]	[unclear]
61	Mr. [unclear]	[unclear]
62	Mr. [unclear]	[unclear]
63	Mr. [unclear]	[unclear]
64	Mr. [unclear]	[unclear]
65	Mr. [unclear]	[unclear]
66	Mr. [unclear]	[unclear]
67	Mr. [unclear]	[unclear]
68	Mr. [unclear]	[unclear]
69	Mr. [unclear]	[unclear]
70	Mr. [unclear]	[unclear]
71	Mr. [unclear]	[unclear]
72	Mr. [unclear]	[unclear]
73	Mr. [unclear]	[unclear]
74	Mr. [unclear]	[unclear]
75	Mr. [unclear]	[unclear]
76	Mr. [unclear]	[unclear]
77	Mr. [unclear]	[unclear]
78	Mr. [unclear]	[unclear]
79	Mr. [unclear]	[unclear]
80	Mr. [unclear]	[unclear]
81	Mr. [unclear]	[unclear]
82	Mr. [unclear]	[unclear]
83	Mr. [unclear]	[unclear]
84	Mr. [unclear]	[unclear]
85	Mr. [unclear]	[unclear]
86	Mr. [unclear]	[unclear]
87	Mr. [unclear]	[unclear]
88	Mr. [unclear]	[unclear]
89	Mr. [unclear]	[unclear]
90	Mr. [unclear]	[unclear]
91	Mr. [unclear]	[unclear]
92	Mr. [unclear]	[unclear]
93	Mr. [unclear]	[unclear]
94	Mr. [unclear]	[unclear]
95	Mr. [unclear]	[unclear]
96	Mr. [unclear]	[unclear]
97	Mr. [unclear]	[unclear]
98	Mr. [unclear]	[unclear]
99	Mr. [unclear]	[unclear]
100	Mr. [unclear]	[unclear]

Appendix H Figure 4: Workshop Attendance Register

NAME AND SURNAME	SIGNATURE
1. [Handwritten Name]	[Handwritten Signature]
2. [Handwritten Name]	[Handwritten Signature]
3. [Handwritten Name]	[Handwritten Signature]
4. [Handwritten Name]	[Handwritten Signature]
5. [Handwritten Name]	[Handwritten Signature]
6. [Handwritten Name]	[Handwritten Signature]
7. [Handwritten Name]	[Handwritten Signature]
8. [Handwritten Name]	[Handwritten Signature]
9. [Handwritten Name]	[Handwritten Signature]
10. [Handwritten Name]	[Handwritten Signature]
11. [Handwritten Name]	[Handwritten Signature]
12. [Handwritten Name]	[Handwritten Signature]
13. [Handwritten Name]	[Handwritten Signature]
14. [Handwritten Name]	[Handwritten Signature]
15. [Handwritten Name]	[Handwritten Signature]
16. [Handwritten Name]	[Handwritten Signature]
17. [Handwritten Name]	[Handwritten Signature]
18. [Handwritten Name]	[Handwritten Signature]
19. [Handwritten Name]	[Handwritten Signature]
20. [Handwritten Name]	[Handwritten Signature]
21. [Handwritten Name]	[Handwritten Signature]
22. [Handwritten Name]	[Handwritten Signature]

Appendix H Figure 5: Workshop Attendance Register

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Appendix H Figure 6: Workshop Attendance Register

APPENDIX I: DISSERTATION ETHICS APPROVAL: FRONT PAGE ONLY

FACULTY OF ENGINEERING AND THE BUILT ENVIRONMENT
FEEDBACK ON THE ASSESSMENT OF ETHICS IN RESEARCH PROJECTS

This form has been prepared to provide applicants with feedback on their Ethics Clearance applications submitted to the Faculty of Engineering and The Built Environment. For further correspondence regarding this assessment please contact Zulpha Geyer (**Zulpha. Geyer @uct.ac.za**)

NAME OF APPLICANT :		R. Reuplin .
Cycle DATE: January		oct 2013 .
COMPLETED APPLICATION FORM		Yes
DETAILS OF METHODS USED		Provided , Acceptable .
STATEMENT EXPLAINING HOW DATA OR SENSITIVE INFORMATION WITH BE SAFELY USED		Provided .
COPY OF QUESTIONNAIRE		Provided application .
CONSENT FORM		Yes
PERMISSION (STUDENT INTERVIEW)		
FURTHER COMMENTS		low risk , experimenter interview
DECISION		<u>Acceptable</u> .

This is the end of Appendix I and the research document.