



MPhil

**ENABLERS AND BARRIERS
TO THE IMPLEMENTATION
OF INCLUSIVE ENTERPRISE
AND SUPPLIER
DEVELOPMENT IN SOUTH
AFRICA**

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by

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Contents

Figures	5
Tables.....	5
Glossary of terms	6
Acronyms.....	6
Definitions.....	7
Declaration of authorship.....	9
Plagiarism Declaration.....	10
Acknowledgment	11
Abstract.....	13
CHAPTER ONE	14
INTRODUCTION	14
1.1. RESEARCH AREA.....	14
1.2. RESEARCH AIMS AND OBJECTIVES.....	17
1.3. RESEARCH QUESTION.....	18
1.4. RESEARCH ASSUMPTIONS	19
CHAPTER TWO	20
LITERATURE REVIEW	20
2.1 INTRODUCTION	20
2.2 AN OVERVIEW AND CRITIQUE OF THE TRANSFORMATION POLICIES IN SOUTH AFRICA.....	20
2.2.1 Black Economic Empowerment.....	20
2.2.2 Broad-Based Black Economic Empowerment (B-BBEE)	25
2.3 A GLOBAL AND SOUTH AFRICAN PERSPECTIVE OF ENTERPRISE AND SUPPLIER DEVELOPMENT	26
2.3.1 Enablers to the implementation of ESD.....	30
2.3.2 Barriers to the implementation of ESD.....	32
2.4 TOWARDS INCLUSIVE INNOVATION IN ENTERPRISE AND SUPPLIER DEVELOPMENT	36
2.5 CONCLUSION.....	47
CHAPTER 3	48
RESEARCH METHODOLOGY	48
3.1 INTRODUCTION	48
3.2 THEORETICAL AND METHODOLOGICAL UNDERPINNINGS OF THE RESEARCH	48
3.3 SAMPLING	51
3.4 DATA COLLECTION	55
3.5 INSTRUMENT DESIGN	57
3.6 DATA ANALYSIS.....	59

3.7	TRUSTWORTHINESS OF THE DATA	61
3.8	ETHICAL CONSIDERATIONS.....	63
3.9	LIMITATIONS.....	66
3.10	CONCLUSION.....	67
CHAPTER 4		69
RESEARCH FINDINGS		69
4.1.	INTRODUCTION	69
4.2	PERSPECTIVES AND PERCEPTIONS OF B-BBEE IN THE SOUTH AFRICAN PRIVATE SECTOR	69
4.2.1	B-BBEE incorporated in company strategy for growth	70
4.2.2	B-BBEE compliance is financially costly	71
4.2.3	Limited understanding of the rationale for B-BBEE inhibits the implementation	72
4.2.4	Supplier development key in the implementation of B-BBEE	74
4.3	IMPLEMENTATION OF ESD IN THE SOUTH AFRICAN PRIVATE SECTOR	76
4.3.1	COMMON MODES OF ESD IMPLEMENTATION	76
4.3.1.1	Funding	76
4.3.1.2	Supplier development	78
4.4	RATIONALE FOR ESD IMPLEMENTATION.....	80
4.4.1	Compliance	80
4.5	ENABLERS TO ESD IMPLEMENTATION	81
4.5.1	Visionary Leadership	82
4.5.2	Symbiotic relationship between the corporate and the community	83
4.5.3.	Legislation and Procurement	85
4.5.4	Implementation strategies for ESD initiatives	86
4.6	BARRIERS TO ESD IMPLEMENTATION.....	88
4.6.1	Legislative burden of B-BBEE	88
4.6.2	Lack of capacity and will amongst corporates to deliver ESD	90
4.6.3	Lack of capacity amongst ESD beneficiaries	91
4.7	ESD AS INCLUSIVE INNOVATION.....	92
4.7.1	Inclusion in corporates’ supply chains	92
4.7.2	Co-creation between measured entities and beneficiaries	93
4.7.3	Access to market – missing link to transformation	94
4.8	CONCLUSION.....	95
CHAPTER FIVE		97
5.1	INTRODUCTION	97
5.2.	LEGISLATION AND COMPLIANCE NATURE OF B-BBEE (‘COMPLIANCE TRAP’) ..	98
5.2.1.	B-BBEE Legislation and “compliance trap”	99
5.2.2.	Leadership and the relevant shift towards strategy and transformation values	101
5.3	MONITORING & EVALUATION (M&E) FRAMEWORK AS ENABLER.....	102
5.4.	APPLICATION IN THE DELIVERY OF SKILLS DEVELOPMENT	104

5.4.1. Internal Skills Gap	105
5.5. SYMBIOTIC RELATIONSHIPS, CO-CREATION, AND ALTRUISM.....	107
5.5.1. Inclusive Supplier Development	107
5.5.2. Co-creation in ESD	107
5.6. CONCLUSION.....	110
CHAPTER 6	112
CONCLUSIONS AND RECOMMENDATIONS	112
6.1 INTRODUCTION	112
6.2 FUTURE RESEARCH	112
6.3 RECOMMENDATIONS	113
6.4 CONCLUSION.....	115
ANNEXURE A: INTERVIEW PROTOCOL FOR TRANSFORMATION MANAGERS	118
ANNEXURE B: INTERVIEW PROTOCOL FOR B-BBEE CONSULTANTS	121
REFERENCES:	124

Figures

Figure 1: Business Benefits for pursuing social innovation. Source: (Wyman, 2016).	38
Figure 2: Ladder of Inclusive Innovation depicting different levels of inclusion (Source: Heek's et al, 2013).....	42

Tables

Table 1: Profile of transformation managers	53
Table 2: Profile of B-BBEE consultants	54
Table 3: Themes that were explored in semi-structured interviews.....	58

Glossary of terms

Acronyms

B-BBEE	Broad-Based Black Economic Empowerment
BDS	Business Development Services
BEE	Black Economic Empowerment
BEECom	Black Economic Empowerment Commission
CSR	Corporate Social Responsibility
DTI	Department of Trade and Industry
ED	Enterprise Development
EMEs	Exempted Micro-enterprises
ESD	Enterprise and Supplier Development
GEAR	Growth Employment and Redistribution
HDI	Historically Disadvantaged Individuals
IBAN	Inclusive Business Action Network
II	Inclusive Innovation
JSE	Johannesburg Stock Exchange
ME	Measured Entity
NDP	National Development Plan
NEP	New Economic Policy
OECD	The Organisation for Economic Co-operation and Development
PP	Preferential Procurement
QSEs	Qualifying Small Enterprises
RDP	Reconstruction and Development Programme
SD	Supplier Development
SD	Skills Development
SI	Social Innovation
SMMEs	Small, Medium, and Micro Enterprises

Definitions

BEE	Black Economic Empowerment
B-BBEE	The B-BBEE Act 53 of 2003 defines B-BBEE as the economic empowerment of all black people, including women, workers, youth, people living with disabilities, and people living in rural areas through diverse but integrated socio-economic strategies.
BEE Charter	Sectoral BEE policy in terms of the Broad-Based Black Economic Empowerment Act 2003 sets out the current situation in the sector and what transformation is required.
ESD	Within the context of South Africa, ESD refers to a development-led approach to drive local procurement aimed at advancing economic transformation
ED	Enterprise Development (ED) as a strategy for economic development that is anchored on building SMMEs to integrate them into a stronger and more inclusive competitive market.
Fronting	Tokenism, superficial inclusion of historically disadvantaged individuals.
Good Governance	Accountable, transparent, professional management and leadership.
HDI	Historically disadvantaged individuals also referred to as previously disadvantaged individuals.
Inclusive Innovation	Inclusive innovation is defined as including disadvantaged individuals, including women, informal sector entrepreneurs, people with disabilities, and youth in some facets of innovation.
Preferential Procurement	A policy requiring government entities to source products and services from enterprises that match the preferential factors set out in the policy, for example, entities that are owned or part-owned by previously disadvantaged individuals
Previously Disadvantaged	People who did not have equal opportunities in the past, including black people, women, and disabled people.

SD	Supplier Development is defined as the process of engaging certain suppliers on a personal basis to enhance their performance for the benefit of the buying corporation or organisations, thereby improving the added value from the supplier in question.
Social Innovation	Social innovation is defined as any form of innovation that results in a broad-based impact on society.

Declaration of authorship

I, Ntombezintle Raziya declare that this thesis titled: “Enablers and barriers to the implementation of inclusive enterprise and supplier development in South Africa” and the work presented in it are my own and has been generated by me as the result of my original research. Further, I declare:

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Acknowledgment

This research is dedicated to my Alpha and Omega, my Higher Power, God almighty. Thank you for showing me that nothing is impossible.

To my husband who believed in me when I no longer had the strength to continue. I thank my mother who was a constant reminder that I will be able to accomplish and finish what I started. I thank my colleagues, friends, and my editor who cheered me on. And to my beautiful daughters Zazi and Olithongo who unintentionally and silently reassured me that I am worthy and able to fulfill all my desires. To my father who is my mentor and idol for instilling social change as part of my DNA; I will be forever grateful for all your teachings and love for society.

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Above all else, I dedicate this paper to true changemakers who intentionally aspire to contribute to the dialogue of diversity and inclusion. Inclusive Development is necessary for the development and economic transformation of South Africa. We live in complex systems which require resilience and collaboration to shift mindsets and add value to society.

Robert K Merton popularized the term “unintended consequences” in 1936 with his paper “The Unanticipated Consequences of Purposive Social Action”. He sought to demonstrate that government actions aimed at bringing social change will always bring unintended consequences. He refers to three categories of unintended consequences: unexpected benefit (luck); unexpected drawback (bad luck); and perverse result (bad luck that worsens the targeted problem). I sincerely hope that in conducting this research it is evident that: “Socio-economic prosperity is not luck; it is the result of design” (Adriaan Saville).

I turn to Freire’s words: “looking at the past must only be a means of understanding more

clearly what, and who they are, so that they can more wisely build the future". To find a solution, it is important to understand the problem, and in the case of South Africa, I hope that future generations are not tainted by today's unintended consequences. I dedicate this research to policymakers, B-BBEE consultants, transformation managers, and private sector stakeholders, in the hope that collectively and collaboratively we can work towards transforming systems in our world, from complex, to complicated, and ultimately simple.

Abstract

Despite the South African government's efforts to achieve inclusive growth, inequality persists. Enterprise and Supplier Development (ESD) was introduced to promote economic transformation for small, medium, and micro-enterprises (SMMEs).

The conceptual framing of ESD is consistent with Social Innovation and Inclusive Innovation frameworks which advocate for inclusive innovation that disrupts social practices and relationships. There is a dearth of research on the implementation of ESD. This study asked: *What are the enablers of, and the barriers to the implementation of inclusive ESD initiatives in South Africa?*

This qualitative study involved interviews with seven transformation managers, and five B-BBEE consultants respectively.

Key enablers to ESD implementation included visionary leadership, a visible shift in mindsets amongst some corporates', and an enabling legislative and policy environment. Barriers to ESD implementation included the legislative burden associated with B-BBEE, and lack of capacity amongst ESD actors.

Evidence of ESD as an inclusive innovation initiative emerges through the strategic inclusion of beneficiary entities into corporate supply chains, and the pursuit of co-creative and symbiotic relationships.

The study highlights the need for further research on leadership styles and monitoring and evaluation as enablers to the successful implementation of ESD. Practical recommendations include framing B-BBEE as a private equity fund and developing supply chains more strategically in an inclusive approach.

CHAPTER ONE

INTRODUCTION

1.1. RESEARCH AREA

A society where everyone has an equal share in the economy and where all citizens are provided with a fair chance to participate in mainstream economic activities remains an ideal in South Africa. With a Gini Coefficient of 0.65 in 2015, South Africa remains one of the most unequal societies in the world (Maluleke, 2019).

South Africa's burgeoning youth population is disproportionately affected by the triple challenge of unemployment, poverty, and inequality. In the first quarter of 2021, the youth unemployment rate stood at a record high of 63.30 percent (Statistics South Africa, 2021). According to the Organisation for Economic Co-operation and Development (OECD), the persisting rise of inequality is caused by an increase in income disparity, a deepening of labour flexibility, the weakening of trade unions, and the retrenchment of the welfare state (Tridico, 2018).

The goal of South Africa's National Development Plan (NDP) is to reduce the Gini Coefficient to 0.6 by 2030 (National Development Plan, 2012). An inclusive business model to integrate the various social groups that were excluded by the previous colonial and Apartheid eras socio-economic framework is critical to South Africa's economic growth. The NDP acknowledges that a new approach is required to address persisting inequality in South Africa i.e., one that is inclusive, premised on the equitable redistribution of the gains of economic growth. The NDP advocates for changes in the patterns of economic ownership and control to address the disparities that were created by the unjust socio-economic policies of the past.

Consistent with the plans outlined in the NDP, the Black Economic Empowerment (BEE) policy was introduced in 2003 to transform the economic environment by promoting economic inclusion for the previously disadvantaged (Tangri & Southall, 2008). BEE, if implemented as intended, should significantly bolster the participation of Black businesses in the mainstream of the South African economy (Ritchken, 2004). At inception, when BEE

primarily focused on equity transactions, there was a rush to speedily allocate shares and board seats to a small number of politically connected, previously disadvantaged individuals within corporate South Africa. The spill over effect was that a minority of Blacks were benefitting, leaving most South Africans excluded from the economic benefits of the 1994 political transformation. Unfortunately, BEE worked contrary to the intended rationale as it perpetuated the legacy of economic exclusion instead of boosting inclusion. In the face of widespread public objections, how BEE programmes were administered had to change (Juggernath, 2019).

Due to the challenges faced in the application of BEE, the government enacted Broad-Based Black Economic Empowerment (B-BBEE) in 2007. This was executed through the Codes of Good Practice to offer a standard framework that measures the progress of transformation in the economy (Ernst & Young, 2013). B-BBEE is an integrated socio-economic policy that is intended to significantly increase the number of previously disadvantaged groups that manage, own, and control the economy (Department of Trade and Industry, 2004). It is important to note that B-BBEE compliance is not compulsory, however for organisations interested in doing business with the government, it is imperative to be B-BBEE compliant (Ernst & Young, 2013). This has led to corporate organisations requesting their numerous clients and suppliers to be B-BBEE compliant and to have a minimum B-BBEE rating to boost their ratings.

Despite the government's efforts to pursue inclusive growth, an increasing and persisting level of income inequality in South Africa present an inconsistent scenario. Challenges to attain inclusive growth are not unique to South Africa but remain a challenge for many countries worldwide. According to some authors, inclusive development remains an ideal because the redistribution of the gains of economic growth to especially the poorest of the poor persists as a critical challenge (de Mello & Dutz, 2012).

Although South Africa has a "supposedly" progressive Constitution which is strengthened by a radical Bill of Rights centred on expanded socio-economic rights, the high levels of inequality have been sustained in all the sectors in the country's economy (Francis & Webster, 2019). This contradictory phenomenon does not support the economic transformation and growth plans of the government. Similarly, the noble objectives of BEE to address the growing disparity in the economic participation of the wider society are still to be

achieved.

According to Edge Growth (2018), Enterprise Development and Supplier Development, a global movement, has proven its ability to stimulate economies, diversify supplier chains, and create jobs. Enterprise Development (ED), a pillar of the B-BBEE policy, was introduced in 2007 and aims to promote the anticipated economic transformation for enterprises in South Africa. Previously, companies developed enterprises that were not necessarily linked to their supply chain. In 2013, the Department of Trade and Industry (DTI) introduced the Supplier Development (SD) element to coerce companies to include black enterprises in their supplier chain (Republic of South Africa, 2014). As of 2015, Enterprise and Supplier Development was legislated into policy under the amended Code of Good Practice as one of the five elements (Republic of South Africa, 2015).

The rationale for implementing Enterprise and Supplier Development (ESD) in South Africa which is to redress past injustices and drive economic inclusion is consistent with that of the United States of America (Kutta, 2021). The conceptual framing of ESD is furthermore consistent with the purpose of social innovation and inclusive innovation initiatives which theoretically are aimed at including the vulnerable and excluded in all aspects of the innovation processes to drive meaningful societal change (Patiño-Valencia et al., 2020). The "innovation" in ESD for the purposes of this study was based on existing ESD initiatives and models implemented by transformation managers and B-BBEE consultants. The innovation is in how transformation managers and B-BBEE consultants procure services and/or products from their ESD beneficiaries in an inclusive manner. Thus the "innovation" was not focused on new products or services, but rather on the business model and inclusion of these existing products and/or services in the corporate value chains.

In identifying and recognizing the inclusive business landscape, B-BBEE is recognized as a policy and legislation for the emerging inclusive business landscape in South Africa (Genesis Analytics, 2014). Similarly, Herrington et al. (2017), recognized B-BBEE as a policy and law for South Africa's growing Inclusive Business scene. The application of B-BBEE in South Africa has resulted in the development and growth of inclusive businesses in the South African economy (Genesis Analytics, 2014).

Enterprise Development and Supplier Development (SD) are one of the three priority

elements of the B-BBEE Scorecard (B-BBEE Commission, 2021). ESD aims to strengthen local procurement, enhance local SD programmes, and increase financial support towards black entities” (B-BBEE Commission, 2021). At the heart of ESD in South Africa, is the localization of procurement i.e., identifying suppliers from local communities and capacitating them, intending to include them in the business’ supply chain.

This dovetails with the rationale for the Asian automotive industry’s implementation of SD programmes. Companies such as Toyota in Japan spearheaded the implementation of SD programmes as early as the 1930s (Kutta, 2021). Toyota made deliberate and substantive investments to capacitate their suppliers. Local industries were protected through SD and the imposition of tariffs and strict regulations to restrict imports.

Reuben and Bobat (as cited in Pike et al., 2018) highlighted a dearth of research on B-BBEE and its effects in South Africa. They observed an abundance of research on BEE, Employment Equity, and Affirmative Action at the time. Pike et al. (2018) identified a need to understand the role of B-BBEE qualitatively to aid in understanding experiences related to implementation holistically. Similarly, a dearth of research on the implementation of ESD initiatives is observed partly because this concept has not originated in South Africa and is novel in this context (Sibiya & Barnard, 2020; Timm, 2011). The existing literature tends to focus on the institutionalization of corporate enterprise and supplier development and the management of financially distressed suppliers in supplier development programs (Kenosi & van der Lingen, 2021; Sibiya & Barnard, 2020). These identified gaps support the need for a study of this nature on the implementation of ESD initiatives in South Africa, noting the barriers and enablers for inclusive ESD.

1.2. RESEARCH AIMS AND OBJECTIVES

This thesis sought to contribute to the ongoing academic research on the growing interest in the literature about B-BBEE and ESD initiatives in South Africa with a focus on transformation strategy, guided by the BEE Act. The main objective of this study, therefore, was to gain qualitative insights into the implementation of ESD initiatives, as a component of B-BBEE, in South Africa. More specifically, the study, through the application of primary and secondary research, aimed to:

1. Describe the enablers to the implementation of inclusive ESD initiatives by corporates in South Africa.
2. Describe the barriers to the implementation of inclusive ESD initiatives by corporates in South Africa.

How corporate organisations implement B-BBEE in their businesses is based on their transformation plan, and in some instances, the appointment of a transformation manager who drives this initiative on behalf of the organisation. Thus, in this study, it was also critical to comprehend the role played by the transformation managers who have specific goals toward the ESD beneficiaries. Furthermore, it was critical to understand the role of the company's appointed B-BBEE consultant who influences decisions where the B-BBEE scorecard rating is concerned.

Secondary objectives of the research were to:

3. Highlight examples that demonstrated good practice in the implementation of ESD initiatives, and to
4. Highlight examples that demonstrated key challenges in the implementation of ESD initiatives.

The research aimed to contribute to the current literature on Transformation and B-BBEE in South Africa, with a key focus on identifying the barriers and enablers within the ESD space. The research findings will hopefully inform the work of policymakers, B-BBEE consulting firms, and transformation divisions within the private sector and shed light on ESD as an inclusive innovation. The researcher positions ESD as an inclusive innovation in relation to Heeks' and Nillson's conceptions of social and inclusive innovation as its objective of inclusion of the disadvantaged in the economic development imperatives is consistent with these theoretical frameworks. This may contribute to improvement in the way ESD initiatives are implemented in South Africa, and ultimately benefit the recipients thereof.

1.3. RESEARCH QUESTION

The core research question is: *What are the enablers of and barriers to the implementation of inclusive enterprise supplier development initiatives in South Africa?*

1.4. RESEARCH ASSUMPTIONS

It was assumed that the participants of the research have answered the research questions honestly and candidly based on their experience and practice of B-BBEE in their capacity as either Transformation or B-BBEE managers and/or consultants at the time of the research.

It was assumed that the participants were knowledgeable on issues of transformation, particularly ESD. The participating managers' term or duration as a manager on the ESD fund(s) they represented, may have affected their responses. They were recently appointed to the posts that they were occupying at the time of the research; on average between three and four years. However, they had extensive experience in the transformation space, with on average between 17 and 18 years.

The rest of the thesis is organized as follows:

Chapter 2 is a review of the existing literature to contextualize the study. This chapter describes the historical and political motivations for transformation policies with a focus on implementation from a global and local perspective. It highlights gaps in the existing knowledge and the current study's contribution to addressing these gaps.

Chapter 3 describes and justifies the methodological approach that was applied in this study. It raises the ethical principles that were employed during the study and discusses study limitations and how these were mitigated.

Chapter 4 describes the key findings that emerged from the research through the application of qualitative thematic analyses.

Chapter 5 locates and discusses the findings within the context of the existing literature and describes similarities and contrasts.

Chapter 6 presents the main conclusions as supported by the findings and highlights the implications for practice. It further suggests potential areas for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The first section of this review provides a policy and legislative overview of Black Economic Empowerment, from a global and local perspective. There is a focus on the rationale for BEE and the strengths and limitations from an implementation perspective. While attention is given to defining key concepts that are pertinent to this study (i.e., BEE, B-BBEE, and ESD- a pillar within B-BBEE), there is a reflection on the rationale for small businesses as the targeted beneficiaries for Enterprise and Supplier Development in South Africa.

The review further describes the evolution of transformation policy from a narrow BEE perspective to the more Broad-Based Black Economic Empowerment within the South African context and how ESD emerged as a critical pillar. The review further analyses the main criticisms levelled against BEE and its iterations against the backdrop of previous research. The current study aimed to describe the enablers and barriers to the implementation of ESD as an inclusive innovation strategy; an area that emerged as a gap in the literature. The review concludes with the practical implications of the current research whilst drawing linkages with the existing literature.

2.2 AN OVERVIEW AND CRITIQUE OF THE TRANSFORMATION POLICIES IN SOUTH AFRICA

2.2.1 Black Economic Empowerment

South Africa's Black Economic Empowerment policy was borne out of the persisting and increasing levels of inequality that originated from past policies of Colonialism and Apartheid. In South Africa, inequality disproportionately affects the Black, African population. South Africa is ranked amongst the top five most unequal countries in the world with a Gini coefficient exceeding 0.6. Inequality levels have remained persistently high since 1993 (Hundenborn, et al., 2018).

In South Africa, income inequality is largely fuelled by high levels of unemployment (Hundenborn et al., 2018). In the literature, inequality is often referred to in economic terms, however, in South Africa, inequality takes on a multidimensional nature, i.e., gender inequality, education inequality, health inequality, social inequality, and participation inequality (Hundenborn et al., 2018). Rising inequality is not unique to a developing country such as South Africa. The rise in income inequality and its impacts on economic mobility were identified as defining issues for America's future (Powell, 2014). The Republic of South Africa (1994, p. 20) emphasized as imperative that the Reconstruction and Development Programme (RDP) “must” address the legacy of inequality (Republic of South Africa, 1994). This policy encapsulates the vision of BEE in that it calls for equitable distribution of the benefits of economic growth. It envisioned greater participation of the historically oppressed in the economy, and more racially and gender-inclusive ownership.

The RDP explicitly advocates for the greater participation of small, medium, and micro-enterprises (SMMEs) in economic activity, who were recognized as key drivers of job creation. In South Africa, there were an estimated 2.25 million SMMEs, according to the Global Entrepreneurship Monitor (Herrington et al., 2017) and SMEs accounted for more than a third (36%) of GDP in that year. It is estimated that more than 2.7 million people were employed by the informal sector (excluding formal SMMEs), which accounted for 20% of total employment (Statistics South Africa, 2017). Small businesses thus have a critical role to play as an economic growth catalyst in South Africa (OECD, 2020).

The Bureau for Economic Research (2016) highlighted several challenges that lead to the failure of SMMEs. These include a lack of funding, regulatory requirements, and compliance, poor infrastructure, high crime levels, lack of entrepreneurial and management skills, inadequate supply of skilled labour, access to markets, lack of track record, and expertise. They asserted that ESD is meant to assist SMMEs to overcome these challenges (Bureau for Economic Research, 2016).

Previously, BEE in South Africa was regarded as defined too narrowly. It was often equated to the conclusion of equity transactions that gave rise to a “black capitalist class” (BEECom, 2001). There was concern that the narrow definition of BEE did not capture the experiences of SMMEs (BEECom, 2001). As a result, the BEE Commission (BEECom) proposed a broad definition for BEE. BEE in its broadest form is defined as an integrated and coherent socio-

economic process that is located within the national transformation programme of the country, the RDP. According to this definition, “BEE is aimed at addressing the imbalances of the past by seeking to transfer and confer the ownership, management, and control of South Africa’s financial and economic resources to the majority of its citizens substantially and equitably. “It seeks to ensure broad and meaningful participation in the economy by black people to achieve sustainable development and prosperity (BEECom, 2001).

It was envisioned that BEE in its broadest form would encompass job creation, rural development, urban renewal, poverty alleviation, land ownership, measures to empower black women, skills and management development, education, meaningful ownership, and access to finance for households to conduct business (BEECom, 2001). Central to this broad definition of BEE was a strategy to address inequality through providing greater access to productive assets by the previously disadvantaged, and targeted measures to improve the productivity of those assets (BEECom, 2001).

Although the vision of BEE is articulated in the RDP policy of 1994, there is evidence of BEE deals that were concluded in the early 1990s, that predates the transition to democracy in 1994 (BEECom, 2001). In 1993, for example, Sanlam sold 10% of its stake in Metropolitan Life to a black consortium, Methold. After 1994, the number of BEE deals that were concluded grew rapidly, with 231 deals concluded by 1998 (BEECom, 2001). Kutta (2021) cites estimates that suggest that by 1998, as much as 10% of the Johannesburg Stock Exchange (JSE) was owned by black businesses. This information suggests that great strides were made in the implementation of BEE during the period 1993 to 1998 which corresponds with the life span of the RDP. However, there is limited evidence of BEE transactions that promoted the empowerment of individuals, and that was geared towards the promotion of small businesses in the form of contracts, partnerships, projects, and preferential procurement.

The BEE framework just like any other framework is not exempt from criticism. Tangri and Southall (2008) suggested that in the fourteen years since the RDP, the democratic government “has not obliged white companies to deracialize business ownership completely” (p. 700). They argue that for the democratic government, it has always been a balancing act between achieving higher economic growth rates and deracializing the economy which had the potential to undermine economic growth. As a result of this balancing act, they argued,

that the government had implemented the BEE policy moderately (Tangri & Southall, 2008). They further note that the shift from the RDP to the Growth Employment and Redistribution (GEAR), an “investor-friendly” and market economy policy, in 1998, has exacerbated the slowdown in pace in the implementation of BEE.

Several authors argue that BEE has only benefitted a few, politically connected individuals and that the majority of the previously disadvantaged remain excluded. However, Patel & Graham (2012) found that although the elite continued to benefit from BEE deals, there has been an increased representation and participation of black employees i.e., employment equity and women, as broad-based beneficiaries. Their analyses of BEE transactions that were concluded for the period 2004 to 2009, highlighted that the highest value deal of R17.9 billion was concluded by Sasol in 2007. The transaction signalled a major shift in broadening the base of the beneficiaries and involved a 10% stake that was shared by their employees (4%), the black public who could buy shares in the company (3%), BEE groups that were selected by Sasol (1.5%) and the Sasol Inzalo Foundation (1.5%). In October 2010, the mobile phone company MTN closed its R8.1 billion black empowerment deal that translated into black ownership of 29% of the company’s South African operations (Patel & Graham, 2012). These deals illustrate the trend towards broadening the base of BEE, particularly through the involvement of the broader public in BEE deals.

Some authors argue that the BEE policy has mainly involved many white-owned corporations that were voluntarily selling part of their shares to a group of few influential black people (Iheduru, 2004). Mbeki (2009) argued that BEE had resulted in a crop of “wealthy black capitalists” who have benefited due to their political affiliations (Mbeki, 2009). This view was echoed by another author who asserted that BEE policies have created a new class commonly known as “tenderpreneurs i.e., a few wealthy black businesses who are where they are because of their affiliation with the ANC” (Krüger, 2011). These arguments are supported by evidence that indicates that the level and pace of economic transformation in South Africa is considered inadequate, more especially in the private sector.

The South African Black Economic Empowerment Strategy was influenced by the New Economic Policy (NEP) which was implemented in Malaysia between 1971 and 1991 (Tangri & Southall, 2008). However, there were differences in the economic policies which made the

Malaysian model perform better. In Malaysia, the economic restructuring took place in a less globalized period while South Africa's economic restructuring occurred at a time when globalization was at an advanced stage. This has made it difficult for the South African government to match Malaysia's successes in redressing the economic imbalances. Furthermore, in the case of South Africa, limited attention has been given to education and skills development, two elements that were key to Malaysia's model of economic empowerment (Tangri & Southall, 2008).

Despite the noble vision of BEE, more than 10 years later, the white minority still controls over two-thirds of the companies listed on the JSE (Balshaw & Goldberg, 2005; Esser & Dekker, 2008). More than two decades since the introduction of BEE, greater participation and ownership of the economy remained an illusion for the majority of the previously disadvantaged. Research by Mofokeng (2018) confirmed that in the accommodation industry in Clarens, in the Free State province, ownership and management structures remained the domain of the white minority. The structural challenges of increasing unemployment and persisting inequality in South Africa bear testament to the limited impact of transformation initiatives like BEE. This is evident in the fact that the majority (63.2%) of young, predominantly Black South Africans (15 – 24 years), bear the brunt of unemployment (Statistics South Africa, 2021). Furthermore, 16 million, mainly Africans, depend on social grants for their livelihood (Sinyolo et al., 2017).

Due to the slow progress towards black economic empowerment, a BEE Commission was borne out of a resolution taken at the Black Management Forum that was hosted in 1997. The commission was formally established in May 1998, by Cyril Ramaphosa who at the time was the head of the commission (BEECom, 2001). The prevailing view was that black people should direct and take charge of a new vision for BEE. The purpose of the commission, amongst others, was to address the weaknesses of BEE and to guide its implementation (Ponte & Roberts, 2007). The commission postulated that the state had to play a primary role as a driver and monitor the implementation of BEE. Initially, the assumption had been that changes in terms of ownership were going to occur naturally in the private sector (Ponte et al., 2007). There was a greater call for BEE to be broader and all-encompassing, and redistributive (Patel & Graham, 2012). This gave rise to broad-based black economic empowerment.

2.2.2 Broad-Based Black Economic Empowerment (B-BBEE)

In response to the increasing public disapproval of BEE and how it was implemented, the government reviewed the policy and consequently passed the Broad-Based Black Economic Empowerment Act 53 of 2003 that came into effect on 9 January 2004. The Act defines B-BBEE as the economic empowerment of all black people, including women, workers, youth, people living with disabilities, and people living in rural areas through diverse but integrated socio-economic strategies. The Department of Trade and Industry defines B-BBEE as a specific government policy aimed at accelerating economic transformation and enhancing previously disadvantaged populations' engagement in the South African economy (Republic of South Africa, 2007). It was argued that B-BBEE combines neoliberal, market-oriented economic policies with redistributive social policies and notions of social inclusion and social and economic justice (Ponte & Roberts, 2007).

Whereas BEE narrowly focused on equity transactions, the B-BBEE policy is intended to be used as a tool to drive transformation more comprehensively. In practical terms, through the Act, the number of black women who own and manage both existing and new enterprises would increase, the local and rural communities would be enabled to access economic activities including land, infrastructure, skills, and ownership. Investment programmes that promoted meaningful participation of previously disadvantaged groups would be promoted by allowing them to have access to finance.

The B-BBEE Act was structured such that B-BBEE would indirectly trickle down through the business supply chain (Esser & Dekker, 2008). The goal of the Act was for businesses to be the main drivers of B-BBEE in their engagements with suppliers as well as other stakeholders (Balshaw & Goldberg, 2005). The B-BBEE Act is a framework of economic empowerment and enacted through the Codes of Good Practice (Esser & Dekker, 2008). To sustainably implement B-BBEE, and to measure it in the various sectors of the economy, the Department of Trade and Industry implemented the Codes of Good Practice (Republic of South Africa, 2007). The Codes of Good practice act as a guideline to ensure that all industries and businesses are working towards achievable economic transformation as well as giving all businesses competitive advantages when pitted against each other (Republic of South Africa, 2004). The Codes of Good Practice elaborate on the B-BBEE measures, whilst

giving a comprehensive structure of how progress towards the execution and implementation of B-BBEE is calculated (Esser & Dekker, 2008). Although the targets in the Codes are not legally binding, it is considered in the firms' best interest to be B-BBEE compliant to procure work from the government (Werksmans Attorneys, 2018).

The generic scorecard is the most important of the Codes which measures the progress business has made towards achieving B-BBEE. Thus, the use of a basic framework to measure an organisation's progress towards economic transformation allows for measurement to be possible irrespective of the type of sector and enterprise (Mokgobinyane, 2017). Firms are measured in terms of seven elements that are contained in the basic framework, i.e., management and control, employment equity, skills development, preferential procurement, enterprise development, and socio-economic development (Department of Trade and Industry, 2004).

Under the codes, exempted micro-enterprises (EMEs) (entities with total annual revenue of R10 million or less), regardless of ownership composition, are deemed to have a level 4 B-BBEE status (greater than or equal to 80, but less than 90 points achieved on the scorecard) (Werksmans Attorneys, 2018). However, EMEs and Qualifying Small Enterprises (QSEs) (i.e., entities with annual total revenue of between R10 million and R50 million) that are 100% Black-owned are deemed to have a level 1 B-BBEE status (i.e., greater than or equal to 100 points achieved on the scorecard) (Werksmans Attorneys, 2018). Changes to the Codes of Good Practice scoring criteria were announced in 2012, and enterprise and supplier development emerged as an important component that counted for about 40% of B-BBEE points (Fauconnier & Mathur-Helm, 2008). Policymakers were hoping that ESD would foster greater inclusive growth (Genesis Analytics, 2014).

2.3 A GLOBAL AND SOUTH AFRICAN PERSPECTIVE OF ENTERPRISE AND SUPPLIER DEVELOPMENT

Transformation is possible through the effective integration of emerging businesses within the mainstream economy which notably involves providing them with ESD support and encouraging black ownership in large entities. Dr. Thami Mazwai, quoted in Fröhlicher and Pothering (2013), argued that Enterprise Development represents investments that are socio-economically driven to achieve social impact.

According to Edge Growth (2018), Enterprise and Supplier Development is not a South African concept, but rather a global movement that has proven its ability to stimulate economies, diversify supplier chains and create jobs. Claasen as cited in Verway (2011) argued that operational assistance offered by big companies to small black-owned businesses was not only a South African phenomenon but has been globally linked to the reduction of poverty.

The automotive sector in Asia developed exponentially because of strategic ESD planning. In 1936, the Automobile Manufacturing Industry Law was published and legislated to promote the domestic auto industry and reduce foreign competition. This resulted in international automotive companies being forced out of Japan in 1939 (Kutta, 2021). During this process, the focus was on maintenance capability, improvement capability (Kaizen), evolutionary capability (linked with Innovation), and financial capability. Asian automotive companies focused on equipping their staff with capabilities and organizing suppliers to drive self-help. The key principles were based on incentives, trust-based, and joint problem-solving (Kutta, 2021).

One of the leading Asian automotive companies to lead in SD was Toyota. Toyota Motor Corporation's purchasing philosophy, enshrined in the 1939 Purchasing Rules, stated that: "once nominated as Toyota suppliers, they should be treated as part of Toyota (as branch plants), Toyota shall carry out business with these suppliers without switching to others and shall make every effort to raise the performance of these suppliers" (Kutta, 2021). In contrast, SD in the US was influenced by the Civil Rights Act of 1964. President Lyndon Johnson amended an Executive Order on affirmative action in 1967 to establish the Office of Federal Contract Compliance. Unlike Asia, in the US, American firms mainly implemented SD for redress and inclusion. IBM was the first company to practice Supplier Diversity in 1968 which involved deliberate efforts to include minority-owned businesses in corporate supply chains. Companies that followed suit included Walmart, P&G, Accenture, Intel, Ford, XEROX, and J&J (Kutta, 2021). Kutta (2021) argued that the driving factors behind Supplier Diversity in the US were public relations enhancement and corporate brand, contesting and winning contracts, market positioning, securing market share, enhancing corporate culture, and attracting talent.

In China, minority and women supplier diversity programmes were a relatively new component of economic development, while in Brazil, there were no government-led diversity and inclusion programmes. However, in Brazil local supplier diversity and women supplier development programmes were driven by multinational corporations, while these programmes were a relatively new component of economic development in China (Kutta, 2021).

In South Africa, ESD constitutes one of the seven pillars of the B-BBEE scorecard, i.e., in addition to ownership, management control, employment equity, skills development, preferential procurement, and socio-economic development. ESD is comprised of Enterprise Development, Supplier Development, and Preferential Procurement. According to the BEE Commissioner Guide to ESD (B-BBEE Commission, 2021), ESD aims to strengthen local procurement, enhance supplier development programmes, and increase financial support towards black entities. In principle, ESD was meant to address the historical disadvantage of individuals who had been side-lined from participating in the economic transformation programme via the Preferential Procurement Act. Thus, for a company to score well on ESD, it was expected to procure goods and services from suppliers with acceptable B-BBEE levels (Pooe, 2016).

The conceptual challenge in the definition of ESD arose from the B-BBEE legislation which presented Enterprise and Supplier Development as a single concept (Pooe, 2016). However, in the management and organisational literature, Enterprise Development and Supplier Development are presented as two distinct concepts (Pooe, 2016). In a bid to define each concept separately, Exxaro (2020) defined Enterprise Development (ED) as a strategy for economic development that is anchored on building SMMEs to integrate them into a stronger and more inclusive competitive market.

ED achieved through financial and non-financial, recoverable, and non-recoverable contributions are initiated to suit an SMME beneficiary entity with a specified objective to accomplish business growth and long-term sustainability. Supplier Development is defined as the process of engaging certain suppliers on a personal basis to enhance their performance for the benefit of the buying corporation or organisations, thereby improving the added value from the supplier in question. Supplier development is defined as a supplier management practice executed in collaboration with strategic suppliers (Exxaro, 2020).

Thus, within the context of South Africa, ESD referred to a development-led approach to drive local procurement aimed at advancing economic transformation. Essentially, ESD was intended to be an investment of time, capital, and knowledge into Small and Medium Enterprises to assist them to grow and contribute to the local economy (Structured Capital Solutions, 2020). ESD consists of Supplier Diversity, Supplier Development, and Enterprise Development as well as Preferential Procurement programmes to address the needs of small businesses and advance economic transformation in South Africa (Exxaro, 2020).

Some of the early adopters of ESD in South Africa were Anglo, South African Breweries, Xerox, and Barlow Limited (Kutta, 2021). Anglo American through the Anglo Zimele fund has supported 150 supply chain-related companies since the fund's inception. Through the fund they provided access to finance and procurement opportunities for SMMEs, investing approximately US \$ 7.2 billion from 1993 to 2007. In 1994, Barloworld started with the Emerging contractor programme to provide equipment finance with no required collateral and administrative and business support (Kutta, 2021).

In South Africa, the targeted beneficiaries of ESD were EMEs and QSEs which were at least 51% black women-owned (B-BBEE Commission, 2021). Generic entities also qualified for ESD; if they were an EME or QSE when first assisted by the measured entity (ME). A supplier development beneficiary is defined as an entity that is part of the ME's supply chain i.e., the beneficiary is registered on the ME's supplier database. In contrast, an Enterprise Development beneficiary is defined as not registered on the ME's supplier database, i.e., the ME is meant to identify entities that it can assist and develop to become part of its supply chain.

ESD was considered a priority element and to evade the discounting principle, a ME was required to achieve a 40 percent minimum. The discounting principle was applied to each sub-category. Where a measured entity met the 40% sub-minimum on two priority elements i.e., Preferential Procurement (PP) and Skills Development (SD) but did not meet Enterprise Development, the discounting principle would apply. Therefore, the ME was required to achieve 10 points for PP; four points for SD; and two points for ED, excluding any bonus points. Despite the challenges faced, private sector organisations via B-BBEE-based

incentives have contributed to the rapid growth of ESD initiatives, many of which were technologically biased (Masutha & Rogerson, 2014).

2.3.1 Enablers to the implementation of ESD

ESD was introduced as part of B-BBEE recently, around 2006/7 (Ryan, 2012) and was legislated in 2015 i.e., it is a relatively new area in South Africa. Due to the recent introduction of ESD in South Africa, there is generally a dearth of research on B-BBEE and ESD within this context (Ryan, 2012; Pike, et al., 2018). The existing literature was primarily focused on BEE at the time because it had been around longer than B-BBEE or ESD. This finding validated the need for the current study.

Key areas such as enablers, success factors, or drivers were considered important in defining the successful implementation of the ESD process model (Thakker & Rane, 2018). The following factors emerged from the literature as key enablers for the creation of a conducive environment to implement transformation initiatives such as BEE; however, these enablers are broad and are limited to BEE. A major enabler pertained to the government legislative and policy provisions that stipulated a requirement for increased procurement that would ultimately favour small businesses, for example, Eskom's increase in BEE procurement was an intervention viewed as a crucial enabler for smaller companies (Bowman, 2019).

According to the Department of Trade and Industry, the creation of improved access to the market at the international level, thereby building growth and productivity opportunities via the simplification and lowering of tariffs' rate, encouraged BEE execution and success (Republic of South Africa, 2004). Other authors emphasize the importance of public-private partnerships in the realization of BEE in South Africa (Makofane, 2013). Enablers that are discussed broadly in the literature included the importance of the implementers having the requisite knowledge, skills, and abilities to effectively implement BEE (Tanusia et al., 2016). Furthermore, the investment of funding to enhance business incubation and mentorship has been found to result in enhancement in the skillset of SMMEs beneficiaries (Nyandeni, 2018). These identified enablers do not provide in-depth insights into *how* (the mechanisms through which) these factors create an enabling environment for the implementation of transformation initiatives such as ESD. This qualitative research study aimed to address this

identified gap in the literature. The sections that follow elaborate on the important factors that create an enabling environment for the implementation of ESD in South Africa. These include legislative and policy provisions, and monitoring and evaluation processes.

2.3.1.1 Legislative and Policy provisions

While Enterprise Development is often regarded as a strategy for socio-economic development, government policy, on the other hand, was regarded as the primary driver of business transformation (Fröhlicher & Pothering, 2013). The South African government has created an enabling environment for the implementation of ESD programmes through the appropriate legislative and policy provisions. This is evident through the enactment of the B-BBEE Act no 53 of 2003, and the adoption of the B-BBEE Codes of Good Practice. ESD as a business imperative is also reflected in the country's National Development Plan (Sibiya & Barnard, 2020).

According to Pooe (2016), despite the impressive policy and legislative frameworks, there remained a gap in terms of an implementation framework for ESD in South Africa. He asserted that buying firms needed to consider several factors to determine their readiness for ESD. These included identifying the reason for participating in ESD, i.e., building a credible case for ESD that extended beyond the need to comply with B-BBEE legislation and, to create job opportunities for the disadvantaged.

Results from the Enterprise Development report (Fröhlicher & Pothering, 2013) demonstrated that, while most participants appreciated the significance of Enterprise Development in achieving socio-economic change, close to two-thirds (66%) conceded that they would not have initiated Enterprise and Supplier Development on their own. They asserted that the B-BBEE regulations have been a significant motivator for them (Fröhlicher & Pothering, 2013). In support of this policy, the government subsequently increased BEE procurement in favour of small businesses (Bowman, 2019).

2.3.1.2 Monitoring and Evaluation process

Monitoring and feedback involve information exchange in the process of ESD implementation which requires feedback analysis (Holland & Light, 2003). Seed Academy and Data Innovator (2016) noted that monitoring, evaluation, and reporting are critical to the implementation of ESD programmes to enable companies to measure the real impact of their investments. According to Fröhlicher and Pothering (2013), successful Enterprise Development could significantly create genuine and long-term change in South Africa. Furthermore, they highlighted that it had the potential to boost South Africa's image as a worldwide laboratory for supply-chain-driven impact investing.

Although monitoring and evaluation emerged in the literature as an important enabler in ESD implementation, impact evaluation was not a regular practice in ED programmes in South Africa. Current methods prioritized readily available measurements over broad socio-economic indicators that resulted in a significant lack of knowledge on ESD's effectiveness in meeting B-BBEE targets. In South Africa there is limited use of wider, community- or national-level impact measures, to assess the impact of Enterprise Development programmes, instead, the trend was towards the use of basic indicators, such as the amount of money spent, or jobs generated. Implementing ED without an assessment method also means that the internal learning process will not be able to attain its full potential (Fröhlicher & Pothering, 2013). The setting of baseline criteria before the implementation of ESD programmes is considered an important foundation to impact assessment (Fröhlicher & Pothering, 2013). Impact evaluation is still not a regular practice in ED programs. Current methods prioritize readily available measurements over broad socioeconomic indicators, resulting in a significant lack of knowledge on Enterprise Development's effectiveness in meeting B-BBEE targets. Participants in the Enterprise Development report largely agreed that setting baseline criteria to evaluate their projects and participants was a good idea (Fröhlicher, Pothering, 2013).

2.3.2 Barriers to the implementation of ESD

There is a dearth of information on the barriers to the implementation of ESD initiatives in South Africa. The main barriers that emerged from the literature included the corrupt practices that are associated with politicians and the corporate sector respectively. Practices

such as cronyism and fronting present major obstacles to the realization of the socio-economic developmental imperatives of B-BBEE. A secondary barrier that emerged from the literature was a lack of supplier diversity and rigid markets which essentially excluded small businesses from the resultant benefits of transformation initiatives. These are discussed in the sections that follow.

2.3.2.1 Corrupt practices: Cronyism and Fronting

Several studies have associated B-BBEE with massive corruption and nepotism that played a major role at the local and national government levels (Mosala et al., 2017). Several scholars (Kilambo, 2021; Mondliwa & Roberts, 2021) posited that a few politically connected, black entrepreneurs were the main beneficiaries of transformation imperatives such as B-BBEE. As a result of these corrupt practices, the corporate sector has developed negative perceptions of BEE and its iterations over the years (Butler, 2017).

According to Mofokeng-(2018), corporate organisations tend to perceive BEE as a burden as it is construed as a government-imposed activity that indirectly disrupts their normal business operation. Because Enterprise Development is not typically a core competency of most corporations, it has frequently been reduced to a B-BBEE compliance exercise (Fröhlicher & Pothering, 2013). Mashugane (2018) argued that corporates only aimed for compliance without understanding the rationale or objectives for BEE.

In addition, fronting has been identified as a major barrier to the implementation of BEE in South Africa (Dunnigan et al., 2005). The DTI described fronting as “a deliberate circumvention or attempted circumvention of the B-BBEE Act and Codes (The Department of Trade Industry and Competition, 2021, p. 1). Fronting commonly involves reliance on data or claims of compliance based on misrepresentations of facts, whether made by the party claiming compliance or by any other person” (The Department of Trade Industry and Competition, 2021, p. 1). Hence, the B-BBEE Act was amended due to the absence of a monitoring institution to address practices such as fronting (Vilakazi & Bosiu, 2021).

2.3.2.2 Lack of supplier diversity and rigid markets

Juggernath (2013) attributed B-BBEE implementation failures to the notion that corporate organisations preferred to work with service providers that were well established and experienced. This, they asserted, was a measure by corporate organisations to avoid having to deal with the displeasure of having to manage inexperienced SMMEs.

As firms increasingly emphasized cooperative relationships with critical suppliers, they tended to use supplier evaluations to ensure that their performance objectives were met. Supplier evaluations, one type of supplier development programme, are an attempt to meet current and future business needs by improving supplier performance and capabilities (Prahinski & Benton, 2004). Some authors refer to the inclusion of the supplier evaluation for performance measurement as one of the critical barriers in ESD (Mohanty et al., 2014).

Rigid markets have been identified as a hindrance to the integration of the excluded into competitive industries (Altenburg, 2009). The challenge of using preferred suppliers has attracted increased attention in supplier development research. When suppliers hold a preferred status, it places the smaller or potential black businesses at a disadvantaged position, thereby creating a barrier to inclusive business models (Hanemann, 2014). Inclusive business models advocate that bigger companies with resources assist smaller suppliers with fewer resources (Sithole, 2014).

A similar study posited that markets with their prerequisites for doing business with corporations were identified as a major barrier to supplier diversity (Shah & Ram, 2006). Theoretically, it is posited that when the market share of Black-based businesses increases, the expected outcome is that Supplier Development will be realised (Kutta, 2021). In this case, outsourcing is posited as an appropriate strategy to remove the market barrier to entry by providing SMMEs with the ability to compete against big corporations (Ganzevoort, 2018).

2.3.2.3 Limited investment in skills development

The lack of skills amongst the intended beneficiaries of ESD programmes emerged as a critical barrier to the effective implementation of ESD programmes. A lack of fundamental business skills was cited as one of the most significant barriers to developing a robust entrepreneurial community and dependable small company suppliers (Fröhlicher & Pothering, 2013). Business development services (BDS) were regarded as essential in guaranteeing the readiness of ED beneficiaries (Fröhlicher & Pothering, 2013). Few firms had BDS-centered ED plans because it was perceived as a waste of time and resources (Fröhlicher & Pothering, 2013). The demand for small company training and preparedness necessitated a more focused effort on the industry's provision of BDS. The skills shortage amongst small firms targeted for ED assistance was cited as a key reason why many corporates were unwilling to align ED to their key supply chains. A lack of skills amongst the implementers of ESD, though cited to a lesser extent in the literature, also emerged as a barrier to implementation. Mafoyané (2018) found that many buying organisations did not have sufficient time, commitment, requisite knowledge, skills, and capacity to run successful ESD programmes.

A less commonly cited barrier included the poor selection of ESD beneficiaries. These were described as those who were not committed to the programmes (Seed Academy and Data Innovator 2016). In South Africa, the targeted beneficiaries of ESD are EMEs and QSEs which are at least 51% black women owned (BEECOM, 2001). Sibiya and Barnard (2020) observe that black entrepreneurs should acknowledge that involvement in an ESD program is not a guarantee for long-term or perpetual contracts, therefore placing on them the duty to apply the effort required in developing their businesses into sustainable ventures or enterprises. In this regard, Modi and Mabert (2007) advised that evaluation and certification should form the basis of recruitment criteria to ensure that the supplier has the minimum capabilities to warrant further investment of resources.

Sibiya and Barnard (2020) confirmed that the success of ESD programmes in creating sustainable SMMEs was dependent on the commitment of all stakeholders involved in the realization of the objectives of the B-BBEE Act (i.e., ESD beneficiaries, implementers, and government in its dual role of policymaker and buying organisation). Despite the enabling policy and legislative environment for the implementation of transformation initiatives such

as ESD in South Africa, the literature does not demonstrate how factors such as a lack of implementation framework referred to earlier, or the perceived poor enforcement by government contribute as barriers to the implementation of ESD (Sibiya & Barnard, 2020).

2.4 TOWARDS INCLUSIVE INNOVATION IN ENTERPRISE AND SUPPLIER DEVELOPMENT

Situating ESD within the domain of inclusive innovation demands a strategy that can explore several domains of businesses to create the needed ‘value of inclusive innovation’ (Glennie et al., 2020). In other words, a type of innovation that promotes inclusion and reinforces social innovation rather than aggravating inequality is critical at this stage (Saur-Amaral et al., 2018).

There are potential challenges in situating ESD as an inclusive innovation initiative, specifically as a sub-category of social innovation, because of the conceptual difficulties that are associated with social innovation and inclusive innovation. A study that reviewed the literature to tease out the similarities and differences between social innovation and inclusive innovation found that there is no consensus amongst scholars about the definitions of social innovation and inclusive innovation respectively (Patino-Valencia, et al., 2020).

Social innovation is considered a novel concept in the literature, and much of its associated theoretical frameworks have been developed by European institutions (Patino-Valencia, et al., 2020). Ironically, much of the empirical evidence that supports the research related to social innovation has been coming from developing countries (Patino-Valencia, et al., 2020). Social innovation is often described as “polysemic”, i.e., it has multiple associated meanings, and this may be the reason why it is argued that social researchers tend to consider social innovation as a concept as “vague and ambiguous” (Patino-Valencia, et al., 2020) (p. 5). Despite this conceptual dilemma, some authors are of the view that “the experiences of developing countries would be adequately intervened through a social approach to innovation” (Patino-Valencia, et al., 2020) (p4).

The lack of conceptual clarity on social innovation and inclusive innovation has implications for monitoring and evaluation. It is noted that the conceptual uncertainty amongst scholars regarding the definitions of social innovation and inclusive innovation results in a lack of

appropriate evaluation methodologies to assess the impact of innovation interventions on societal problems (Patino-Valencia, et al., 2020). It is imperative to assess the impact of innovation interventions because of the divisions amongst authors about the potential impact of innovation interventions on the poor and vulnerable in society. Some authors argue that innovation can cause or aggravate inequity (Patino-Valencia, et al., 2020). Innovation in the context of technological change is often regarded as a precursor of social exclusion and inequality. In contrast, other authors consider innovation as a promoter of economic development, and an engine of social change (Patino-Valencia, et al., 2020).

Social innovation is defined as any form of innovation that results in a broad-based impact on society (Mathie & Gaventa, 2015). This definition resonates with the definition of the B-BBEE policy in South Africa which advocates for broad-based economic transformation through equitable participation of excluded groups (i.e., majority Black, women, rural residents, persons with disabilities, and the youth) in the economic benefits of the country.

Elsewhere, social innovation is defined as the use of new solutions through implementation and creation to address social problems (Tracey & Stott, 2017). The World Economic Forum's Global Agenda Council on Social Innovation, an advisory body comprised of leading practitioners, thought leaders, and academics, defines social innovation as "the application of innovative, practical, sustainable, market-based approaches to benefit society in general, and low-income or underserved populations in particular". Social innovation involves being strategic, more ambitious, and more collaborative in how access and opportunity can be provided for billions of low-income people to participate in the global economy" (Brabeck-Letmathe, 2022).

The Social Innovation Insight Report suggests that there are four broad clusters of social innovation for businesses to pursue to achieve societal value Wyman (2016). The first cluster "Build Future Markets" refers to designing new products and services, through identifying new markets as part of the business development process. Cluster 2 "Strengthen Supply Chains" is to achieve stability of access to raw materials to ensure stable supply and price of raw materials. Cluster 3 addresses the need for organisations to "Invest in talent" which is about exploring new ways of attracting talent with the intent to seek a more diverse workforce as this both increases the size of the recruiting pool and can introduce new capabilities into an organisation. Lastly, it is pivotal for organisations to "Leverage Finance"

looking at diversified funding instruments such as establishing social impact funds, for example, a company can invest in start-ups that are strongly aligned with the company's business strategy or operating in adjacent markets, leading to exposure and positive brand exposure (Wyman, 2016). These are demonstrated in the matrix in Figure 1 below.



Figure 1: Business Benefits for pursuing social innovation. Source: (Wyman, 2016).

Social innovations differ from business innovations in that the latter is motivated by a need to maximize profits (Booyens & Rogerson, 2016; Mulgan et al., 2007) whereas the former is concerned with the social collaboration of people to improve their livelihoods (Hart et al., 2014; Mulgan et al., 2007). It is pertinent to distinguish between social innovation and corporate social responsibility. It is argued that social innovation is more than simply giving donations or being part of community projects, rather, it is considered a better way of bringing social change and social benefits to a community (Booyens & Rogerson, 2016).

In the past, South African businesses have preferred to organize their efforts to combat poverty around corporate social responsibility (CSR) activities that are virtually unrelated to the core business and strategy of the corporate. Regardless of the merits of various CSR programmes, global and national experience clearly shows that firms' main business activities are significantly more likely to be affected. The IBAN report (2014) indicates that CSR projects designed to address specific external development concerns have a longer-term impact on poverty alleviation (Genesis Analytics, 2014).

The challenge for South African firms is to become more effective at developing and diversifying their value chains and marketplaces to include organisations and individuals who have previously been excluded. While South Africa's formal private sector is well-organized

and has increasingly shown a desire to be more inclusive, a variety of obstacles have impeded development.

Inclusive innovation is defined as including disadvantaged individuals, including women, informal sector entrepreneurs, people with disabilities, and youth in some facets of innovation (Foster & Heeks, 2015; OECD, 2013). Foster and Heeks (2015) articulate that inclusive innovation is a process by which marginalized groups are involved in the production of new goods and services for personal consumption and the market (Foster & Heeks, 2015). The B-BBEE policy aligns with this definition of inclusive innovation as it recognises the imperative to drive inclusive innovation and the creation of inclusive business models that embrace the businesses of the disadvantaged in South Africa. This policy was introduced to boost black businesses' participation in the economy of their communities (Sartorius & Botha, 2008). ESD aligns with this conception of inclusive innovation due to its emphasis on local procurement and inclusion of small businesses in corporate supply chains.

Heeks et al. (2013) acknowledge that to fully conceptualize inclusive innovation, a discussion is required about two aspects of the definition. The first issue is that of identity i.e., which groups are regarded as historically marginalized or excluded, and as needing to be included by new approaches to innovation. They identify women, youth, the disabled, ethnic minorities, and informal sector entrepreneurs as the focus for inclusive innovation (OECD, 2013). This coincides with the definition of B-BBEE in South Africa as defined in the B-BBEE Act 53 of 2003.

Heeks et al. (2019) caution that different marginalized groups will have been subjected to different types of prior exclusion, with different histories and causes, thus the type of inclusion that works for one group, may not necessarily work for another group, and may result in “illusive innovation”. Thus, Heek’s argues for a more context-specific and customized approach to inclusive innovation, instead of a one-size-fits-all approach. Furthermore, Heeks et al. (2013) note that the focus has been the poor; those on the lowest incomes, which may typically be defined as those living on less than US\$1.25 or the US \$2.00 or US\$2.50 per day. The second issue is which ‘aspect’ of innovation the marginalized group is to be included in. Heeks et al. (2013) distinguish between those who think exclusion can be addressed simply in terms of innovation outputs and those who think marginalized groups must be included in innovation processes.

Despite the lack of clarity on the definitions of social innovation and inclusive innovation as discussed above, the literature does demonstrate consensus amongst researchers and authors about the similarities and the differences between these two concepts (Patino-Valencia, et al., 2020). In terms of similarities, it is recognized that both concepts originate from a single concept, i.e., innovation (Patino-Valencia, et al., 2020). Furthermore, both are concerned with finding solutions to structural societal problems such as poverty, inequality, and exclusion which is consistent with the rationale for transformation imperatives such as ESD in South Africa (Patino-Valencia, et al., 2020).

In terms of differences, some authors argue that social innovation's goal extends beyond just finding solutions to structural problems, to the actual reduction of the exclusion of vulnerable groups from the processes of innovation, (i.e., ideation, co-creation, etc.) (Patino-Valencia, et al., 2020). The latter is a fundamental goal and preoccupation of inclusive innovation which, according to these authors, distinguishes it from social innovation. Nevertheless, other authors suggest that social innovation does have an element of inclusivity inherent in it. Heiskala (2007) argues that social innovation involves collective learning, collective power, and co-creation (Nilsson, 2019) which dovetails with the definition of inclusive innovation described earlier. B-BBEE and ESD policies in South Africa are silent on the aspect of co-creation and emphasise the capacitation and empowerment of small businesses by large corporates in a seemingly top-down approach with SMMEs as the perpetual learner and big corporates as the perpetual teacher.

Nilsson (2019) expands on earlier conceptions of social innovation and challenges the notion that social innovation is not necessarily concerned with the inclusion of vulnerable groups in innovation processes as posited by other scholars (Patino-Valencia, et al., 2020). Nilsson (2019) asserts that to truly engage in social innovation, requires a “disruption” and “re-imagination” in the five dimensions that he argues are critical to holding an institution together. These five dimensions encompass roles, social identities, resource flows, authority processes, and meanings (Nilsson, 2019).

According to Nilsson (2019), role disruption involves creating new roles by “valorising” previously, excluded forms of knowledge. Another form of role disruption, he argues, involves the deconstruction of roles, i.e., role players occupying and shifting between

multiple roles at a given time. The deconstruction of roles often places professionals in a loose, co-creative relationship with other actors, and may result in aspects of a role being carried out by an unlikely group of actors.

Nilsson (2019) further argues that institutions are structured through social identities under emotional solidarity and feelings of co-membership or antagonism. Thus, social identities can lead to fragmentation and stratification. This phenomenon was evident in South Africa where Afrikaner Nationalism led to the birth of Apartheid in South Africa in 1948 and perpetuated the societal problems such as poverty and inequality that B-BBEE and ESD were designed to address. Nilsson (2019) asserts that social innovation aims to elevate social identities by valorising previously oppressed or suppressed identities. This involves integrating indigenous skills and modes of organising with contemporary practices and technologies, and in turn, increasing the numbers and types of actors who can participate in meaningful ways in aspects of the system (Nilsson, 2019). He argues that social innovation elevates social identities by promoting “cross-identity interaction” i.e., collaboration between various social identities towards a common developmental goal. Nilsson (2019) argues that inherent in social innovation is the primary motivation of making specific resource flows (money, material goods, intangible goods such as intellectual property, etc.) more inclusive in the face of poverty and inequality. To this end, social innovation aims to elevate the “valorisation of hidden and discounted resources i.e., recognizing and leveraging previously overlooked value or potential value.

According to Nilsson (2019), authority processes involve the rules, norms, and beliefs about who gets to choose, and how those choices are made determines relative levels of freedom and creative agency across systems. Social innovations seldom challenge deep power structures but increase local autonomy by valorising local knowledge (Nilsson, 2019). Furthermore, valorising local knowledge often requires disintermediation and enhancing direct connections between those affected by a decision and the power structures that drive that decision. This process involves greater participation and involvement by a variety of stakeholders across the board, including the previously excluded in decision making and working together in potentially co-creative ways. Social innovation involves a departure from decisions that are vested in individual roles (e.g., CEO) “toward decisions that arise in thick conversation (Nilsson, 2019, p. 12).

Lastly, Nilsson (2019) asserts that shared meanings provide institutional justification; “they are how we explain to ourselves why things are the way they are” (Nilsson, 2019, p. 12). He argues that social innovation elevates meaning by valorising holistic purposes, i.e., a departure from a narrowly defined functional purpose, and seeking to make it more responsive to the whole person and more reflexive about the needs and opportunities in the whole system. Thus, social innovations holistically consider social, economic, and environmental goals.

Heeks et al. (2019, p. 1) through levels four to six of the ladders of inclusive innovation argue for changes in social structures and discourses through meaningful participation of the previously excluded in innovation. Nilsson (2019) echoes this sentiment when he argues that “the most profound social innovations are not merely solutions to discrete problems but are disruptions to social practices and relationships (i.e., the regulative, normative, and cultural structures) that inscribe systems. Nilsson (2019) states, “put simply, social innovation is social change.”

Heeks et al. (2013) propose a differentiated view to inclusive innovation and argue that it comprises six levels as demonstrated in Figure 2.

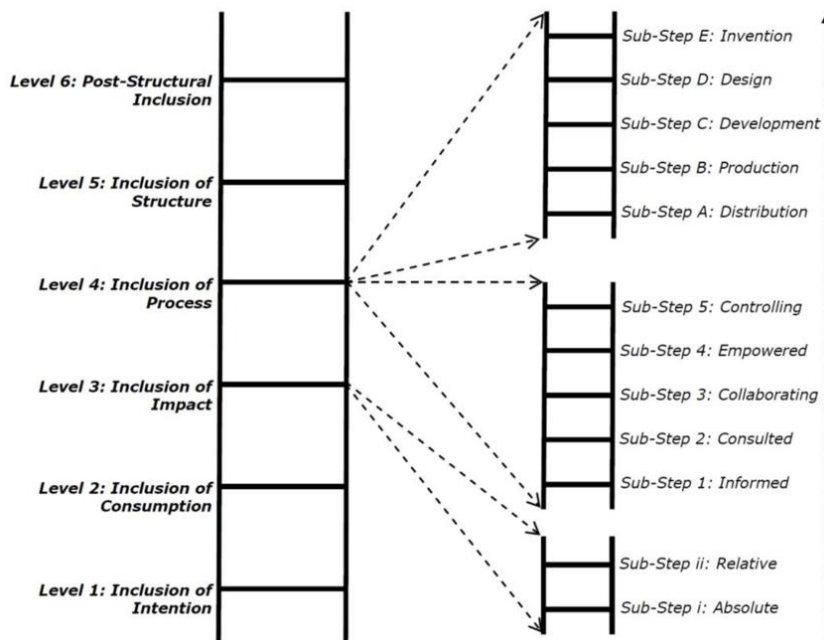


Figure 2: Ladder of Inclusive Innovation depicting different levels of inclusion (Source: Heek’s et al, 2013)

According to Heek's et al (2013), innovation could be considered inclusive if:

- ❖ It intends to address the needs, wants, or problems of the excluded group (level 1: intention).
- ❖ It is adopted and used by the excluded group (level 2: consumption)
- ❖ It has a positive impact on the livelihoods of the excluded group (level 3: impact)
- ❖ The excluded group is involved in the development of the innovation (level 4: process)
- ❖ It is created within a structure that is itself inclusive (level 5: structure), and
- ❖ It is created within a frame of knowledge and discourse that is inclusive (level 6: post-structure)

Nilsson (2019) unpacks Heeks et al. (2013) proposed ladder of inclusive innovation and asserts that the first three levels (intention, consumption, impact) describe an inclusion that offers little or no agency for the target group of the innovation process. In contrast, he notes, that the latter three levels (process, structure, and post-structure) “are more agentic and leveraged, including previously marginalized groups in the processes, strategies, and framings of institutional processes (p. 4). According to Nilsson (2019), the first three levels of innovation rearrange the institutional system whilst the latter three disrupt and remake the system at a more fundamental level. Heeks et al. (2013) confirm that the six levels are akin to steps on a ladder, each involving a gradual deepening and/or broadening of the extent of inclusion of the excluded group.

Given these conceptions of social innovation and inclusive innovation described above, ESD can essentially be regarded as an inclusive innovation approach. ESD comprises three key elements as alluded to earlier, i.e., enterprise development, supplier development, and preferential procurement. Enterprise and supplier development are primarily aimed at empowering and capacitating small businesses that are owned by Black individuals, women, youth, persons with disabilities, essentially those that are excluded from the economic gains of their communities, and the country at large. Preferential procurement places the obligation of companies to procure goods and services from suppliers who are from the excluded groups and to capacitate them for inclusion in corporate supply chains. Thus, like social and inclusive innovation, the focus in ESD in South Africa is on historically disadvantaged individuals. HDIs include:

- ❖ Those with no voting rights in the national elections before the introduction of the 1983 Constitution or the 1994 "Interim Constitution"(i.e., people of colour)
- ❖ Those people who are female irrespective of their races
- ❖ Those people who are physically challenged in the society

However, the literature suggests that ESD as currently practised in South Africa may be mainly operating at the first three levels of Heek's ladder of inclusive innovation discussed above i.e., intention, consumption, and impact. It is yet to graduate to the last three levels i.e., process, structure, and post-structure.

The B-BBEE legislative framework in South Africa certainly creates an enabling environment for the inclusion of the vulnerable and excluded in the economic gains of the country. As a result of the involvement of the government, political-economic factors such as the interactions between the markets, government, and society influence innovation, and the role it plays in development becomes imperative (Altenburg, 2009). These interactions create conditions in which innovation can be adopted, transferred, and spread in a different environment with participation from the locals thus resulting in socially inclusive outcomes which can succeed because of free technology and social innovation (Saha, 2016).

A report implemented by Genesis Analytics (2014, p. 9), commissioned by Inclusive Business Action Network (IBAN) identified South Africa as a country with robust and strong policies and laws with strategic regulations that have a direct correlation and impact with the inclusive business environment in the country. In identifying and recognising the inclusive business landscape, the Genesis Analytics report states that B-BBEE is recognised as a policy and legislation for the emerging IBAN landscape in South Africa. The report draws a linkage in highlighting that "B-BBEE is unique to the South African context, and through its implementation, the South African economy has seen the encouragement and growth of inclusive businesses. This has been further encouraged by the positive supporting role played by various "partnerships with other stakeholders including communities, government, NGOs and other business entities" (Genesis Analytics, 2014, p. 9).

However, the government's vision of inclusive development is yet to be achieved in real terms as evident from the persisting structural challenges such as poverty, and persistent and rising levels of inequality that continue to disproportionately affect the previously excluded in

South Africa. Corrupt practices such as cronyism and fronting that persist to plague the implementation of initiatives such as B-BBEE and ESD described earlier, continue to deter ESD from becoming a completely inclusive innovation as these practices effectively perpetuate the exclusion of vulnerable and marginalized groups. In addition, barriers such as lack of supplier diversity and rigid markets that continue to favour established and experienced suppliers exacerbate the exclusion of disadvantaged individuals and groups. The literature does not demonstrate how the vulnerable and excluded groups participate in innovation processes at substantive levels including ideation, decision-making, and co-creation, a gap that the current study is aiming to address.

Despite these challenges, many businesses in South Africa "have begun to integrate inclusive business models (or components thereof) into their day-to-day operations." However, in some circumstances, this has been less purposeful than in others: many corporations offer low-income consumers items or hire low-income people as part of their "business as usual" strategy. In principle, these businesses are using inclusive business models, but more as a method of maximizing profits in the South African market than as a deliberate endeavour at inclusivity. South Africa's mining industry, for example, relies significantly on low-skilled, low-wage labour but would not necessarily be deemed purposefully "inclusive" because of that practice (Genesis Analytics, 2014)

There are, however, some examples of African governments and other institutions that now recognize the important role played by social innovation in addressing Africa's development agenda (Urama & Acheampong, 2013). This recognition has resulted in social innovation being integrated into science and technology research. In South Africa, institutions such as the Council for Scientific and Industrial Research (CSIR), have researched social innovation (Urama & Acheampong, 2013). The Department of Science and Technology is working on conducting low-income housing research to provide low-income South Africans with affordable quality housing (Urama & Acheampong, 2013). The University of Cape Town through the centre for social change is working towards promoting social and environmental change (Urama & Acheampong, 2013).

South Africa has a dual economy, and thus when measuring innovation, it is important to look at both the formal and informal sectors. This means that given this dual economy, the standard practices in the OECD cannot be used as instruments in the measurement of social

innovations (Mulgan, 2007). An example of social innovation in the informal sector is the “stokvel” model which is said to be the potential for the poor to access capital for business purposes, but this is not connected with the formal economy (Mulgan, 2007). This stokvel system is founded on social capital and trust and has not yet collapsed since it came in existence during the Apartheid era (Tracey & Stott, 2017). Vodacom tried to meet the stokvel gap in the formal economy through Vodacom M-Pesa with no success as they could not penetrate the market. Whilst in Kenya the success of M-Pesa was attributed to the linkages which exist between the formal and informal economy (Phiri et al., 2016). It is therefore necessary that the government, other than providing funding for research and development as well as innovation, also foster linkages between the formal and informal economy (Phiri, et al., 2015).

2.5 CONCLUSION

South Africa has an enabling policy and legislative environment intended to address the persistent and rising levels of inequality which is a legacy of Colonialism and Apartheid. This progressive policy landscape is a positive feature of democratic South Africa, evident in the adoption of policies such as the RDP post-1994, which gave birth to the B-BBEE Act, and the current National Development Plan. These policies call for inclusive and innovative approaches to development and are consistent with global calls for the adoption of social innovation approaches in developing countries to address structural problems and ultimately achieve greater inclusive economic growth. Social innovation and inclusive innovation approaches advocate for the empowerment of marginalized groups by recognizing the contribution that they can make in the innovation processes at higher, substantive levels including ideation, decision making, and co-creation.

This literature review interrogated the conceptual difficulties inherent in the definitions of social innovation and inclusive innovation but demonstrates the relationship between inclusive innovation and enterprise and supplier development as a catalyst for economic development and transformation through the private sector. The literature review demonstrates how ESD could be regarded as an inclusive innovation strategy at least theoretically, however with limitations in the practical application thereof. It is evident in the literature that ESD, in its current format as implemented in South Africa, has not yet caused a significant disruption in social practices and relationships that could drive social change.

Corrupt practices such as cronyism and fronting continue to undermine the true intent of B-BBEE and ESD. Furthermore, the lack of monitoring and evaluation strategies, not only applicable to South Africa but a global phenomenon, curtails the enabling effect of a conducive transformative orientated policy and legislative environment, and further masks and inhibits the potential impact of ESD as an inclusive innovation strategy.

The literature currently does not demonstrate how SMMEs, the intended beneficiaries of ESD, are involved in higher levels of the innovation processes (i.e., ideation, decision making, co-creation) that could drive meaningful societal change. This current study aims to address this gap by highlighting the enablers and barriers to the implementation of ESD as an inclusive innovation strategy. The following chapter reflects on the methodologies that were employed in this study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter discusses the methodology that was deployed to respond to the research question and the stated objectives of this paper. It describes the processes that were undertaken to sample respondents, design the research instruments, collect, and analyse the data. It also discusses the limitations of the study and the measures that were implemented to improve the validity and reliability of this research. The chapter further reflects on the ethical principles that were adhered to during the implementation of this research project.

3.2 THEORETICAL AND METHODOLOGICAL UNDERPINNINGS OF THE RESEARCH

The methods (how something is done) and methodology (how and why something is done including certain assumptions and values) of any research have a particular purpose to fulfil in paving the way that allows one to access the data one needs (Mouton, 1996).

This research paper sought to explore the following research question:

1. *What are the enablers of and barriers to the implementation of inclusive enterprise supplier development initiatives in South Africa?*

The main objective of this study, therefore, was to gain insights into the implementation of ESD initiatives, as a component of B-BBEE, in South Africa. More specifically, the study, through the application of primary and secondary research, aimed to:

1. Describe the enablers to the implementation of inclusive ESD initiatives in South Africa.
2. Describe the barriers to the implementation of inclusive ESD initiatives in South Africa

Furthermore, it was critical to understand the role of the company's appointed B-BBEE consultant who influences decisions where the B-BBEE scorecard rating is concerned.

The secondary objectives of the research were to:

3. Highlight examples that demonstrate good practice in the implementation of ESD initiatives
4. Highlight examples that demonstrate key challenges in the implementation of ESD initiatives.

Based on the explorative nature of the research, the study lent itself to the qualitative method. Qualitative research is described as a broad umbrella term for research methodologies that describe and explain a person's experiences, behaviours, interactions, and social contexts without the use of statistical procedures or quantification (Fossey et al., 2002). This study took an interpretive approach as it sought to understand the implementation of ESD as an inclusive innovation initiative, more specifically, the enablers and barriers inherent in the process. The utilization of the interpretive approach assisted to incorporate the perceptions of the actors involved in ESD initiatives which provided insights into what a truly inclusive innovation looked like, and how the various actors are involved in the innovation process.

A key part of the interpretive approach is the collection of participant opinions from in-depth interviews, relying on the richness of words instead of numerical data, which is associated with a quantitative, objectivist approach. According to Elliot and Timulak (2021), the use of the interpretive approach opens new avenues for the less examined research fields which are still in their exploratory stages, which was the case in this current study given the limited research that has been conducted on this topic within the South African context. Data particularly relating to how the various actors are involved in the implementation of ESD and the impact of the policy is scant. Exploratory research is described as a method most suitable when there is a lack of knowledge or information about a specific subject to gain a broad understanding of a situation, phenomenon, or community (Bless et al., 2013).

The science of finding out and the ability to provide answers to 'why', 'how' and 'what' (Babbie, 2010), played a significant role in the research process that was deployed in this study. The research was inductive purely because the data was used to confirm and generate ideas, rather than deductive, which begins with the idea and uses the data to confirm or negate the idea (Thorne, 2000). This difference in approach suggests that the research was hypothesis-generating rather than hypothesis-testing. The strength of inductive research is

understood to be the development of insights into how humans interpret their social surroundings and using this data to let theory (generalizations) emerge from it (Saunders et al., 2019).

According to Merriam (2009), research is underpinned by a theoretical framework that is derived from the researchers' orientation or stance about the world. This study utilised a constructivist research paradigm which is premised on the norms that knowledge or information of the observed reality is constructed rather than discovered (Levers, 2013). There are two strands of constructivism i.e., personal constructivism and social constructivism (Amineh & Asl, 2015). The former emphasises the internal process of the individual and is based on the work of Swiss development psychologist, Jean Piaget. This strand emphasizes individual thought process and the active construction of meaning in knowledge construction. Lev Vygotsky challenged Piaget's views and advocated for a social perspective in constructivism. He argued that the process of knowledge construction is affected by other people and is mediated by community and culture i.e., social constructivism.

Social constructivism has its foundations in cognitive constructivism which emphasizes the collaborative nature of learning (McLeod, 2019). Social constructivism posits that the development of scientific knowledge is determined by social forces (Detel, 2001). According to social constructivism, knowledge is constructed through social interaction and is a shared rather than an individual experience. This theoretical framework is underpinned by the inductive and interpretive paradigms discussed previously, associated with qualitative methodologies (Jennings, 2005). The researcher deemed the application of the social constructivism theory as appropriate in this study given that the topic is under-researched. Thus, it was appropriate to construct new knowledge through interacting with B-BBEE consultants and transformation managers, i.e., posing questions to them and gaining insights into their understanding and interpretation of transformation imperatives such as B-BBEE and ESD, and how they implement these initiatives in their companies. Thus, as applied in this study, the researcher acted as a facilitator of knowledge construction through deliberate and purposeful interaction with certain actors involved in the implementation of ESD initiatives (i.e., B-BBEE consultants and transformation managers) to generate empirically based answers to the research questions.

There has been little research on ESD practices related to beneficiary entity or SMME development, and the integration of inclusive business models needs to be investigated further. Merriam (2009) suggests that “practical considerations also play a part in what to observe (pg120)”. Practical contributions emerged from examples of ESD initiatives that were cited by the respondents. These provided key insights into good practice and areas for improvement in the implementation of ESD initiatives. The research contributes new insights to an under-researched topic through understanding the enablers of, and barriers to the implementation of inclusive enterprise supplier development initiatives in South Africa.

3.3 SAMPLING

Based on the nature of the research, it lends itself to less structured protocols to select the respondents, i.e., non-probability sampling (Etikan, 2017). The type of non-probability approach that was implemented is snowball sampling as the respondents were difficult to locate. Snowball sampling is a recognised, non-probability approach to sample selection that is utilised mostly to locate unknown populations. This method is premised on referrals from a first sampled group of participants to those individuals who have the characteristic of interest (Johnson, 2005). Parker et al. (2019) observed that the researchers utilise their social networks to establish the first or initial links while sampling momentum develops from these, capturing an increasing chain of participants.

Snowball sampling is one of the most popular methods of sampling in qualitative research which is centred on the characteristics of networking with people and referrals. Most often, the researcher begins with a small number of initial contacts who fit the research criteria and are invited for an organised interview as research participants. The selected participants are then requested to recommend other experts in the same field who fit the research criteria as set by the researchers and are willing to participate, and who in turn can recommend other potential participants.

The researcher contacted Transformation managers and B-BBEE consultants through referrals from colleagues and past clients. During the interview process, some of the transformation managers referred the researcher to their B-BBEE consultants for further insights on the research topic. Similarly, the B-BBEE consultants, in instances

where they felt that they did not have the requisite level of experience and history in the sector, referred the researcher to more experienced B-BBEE consultants. Bhat (2019) suggests that this method is most suitable when the sample size is small and works like a referral programme. The researcher used this technique to find more respondents who are experienced in the subject matter. This form of sampling was most productive for this research given that the selection of industry experts and the individuals approached was based on the personal network and experience of the researcher. The criteria and recruitment process for the selection of participants was aligned to purposeful sampling.

According to Palinkas et al. (2015) purposive sampling is a technique commonly used in qualitative research to identify and select information-rich cases to make the best use of limited resources, and entails locating and selecting individuals or groups of individuals who are particularly knowledgeable about or experienced with a phenomenon of interest. In conducting the research, the researcher utilised purposive sampling having identified transformation managers that were actively involved in implementing ESD initiatives and knowledgeable in ESD. The researcher also identified B-BBEE consultants that were responsible for developing ESD strategies for corporates and in some instances acted as implementation partners for the deployment of corporate ESD initiatives.

The sample comprised transformation managers within the private sector and B-BBEE consultants. The transformation managers on average had 14 years of experience in senior management and executive roles within transformation and diversity business areas. Most of the B-BBEE consultants managed and advised large entities on the spending allocated, and strategies toward ESD initiatives. A sample of 12 participants (7 transformation managers and 5 B-BBEE consultants) was realized. Table 1 and Table 2 below summarise the profiles of respondents.

Participant	Title	Location	Years worked	Years worked in transformation	Gender	Type of Industry & Services	Organisational Type
AP - Participant 1	Head of ESD	Gauteng	18	5	Male	Agri - current Telecoms ICT Retail	JSE listed Consumer and Packaged Goods company. Agri processing (AP)
AMS - Participant 2	Group Head of Transformation	Gauteng	15	7	Female	ICT – current Financial Services	JSE listed innovative mobile technology companies - Airtime, mobile services (AMS)
IP - Participant 3	Head Transformation	Gauteng	21	21	Female	Financial Services - current	JSE Listed Leading financial service provider for insurance products –(IP)
MCE - Participant 4	General Manager Human Resources	Gauteng	19	6	Female	Mining - current HR	Multinational manufacturing corporation for mining equipment (MCE)
STS - Participant 5	Group Executive Director Shared Services	Gauteng	21	21	Female	ICT / telecommunications – current	JSE Listed -Smart technology and solutions partner (STS)
CV - Participant 6	Group Manager- Labour Relations and Transformation	Gauteng	19	19	Male	Automotive current	Multinational Corporation - Provider and manufacturer of commercial vehicles (CV)
MOP - Participant 7	Senior Manager	Gauteng	15	6	Male	ICT / telecommunications – current	JSE Listed - Mobile operating provider (MOP)

Table 1: Profile of transformation managers

Table 2: Profile of B-BBEE consultants

Participant	Title	Location	Years worked	Years worked in transformation	Type of Industry & Services	Gender	Organisational Type
FS Participant 1-C	CEO	Gauteng	22	6	Financial Services current	Male	SMME – Financial Services – provider of loans (FS)
FMT Participant 2 –C	Managing Director	Western Cape	28	8	Financial Services	Male	Medium Enterprise - Fund Management and Transformation (FMT)
NGO Participant 3 – C	Business Development and Transformation Consultant	Gauteng	14	5	Consulting Services	Female	NGO -Consulting and Advisory services in Transformation (NGO)
AT Participant 4 – C	Managing Director	Gauteng	8	2	Consulting Services	Male	Medium Enterprise - Consulting and Advisory services in Transformation (AT)
CA Participant 5 – C	Preferential Procurement Champion	Gauteng	15	6	Consulting Services – current Financial Services	Male	SMME - Consulting, and Advisory (CA)

3.4 DATA COLLECTION

Based on the exploratory and investigative nature of the research, the data was collected through in-depth, semi-structured interviews. In-depth, semi-structured interviews are verbal exchanges in which one person, the interviewer, asks questions to elicit information from another person. Even though interviewers typically prepare a list of predetermined questions, in-depth, semi-structured interviews typically unfold in a conversational manner, allowing participants to pursue issues they believe are important. In-depth, semi-structured interviews are a common research method in geography and are sometimes used as a stand-alone method by researchers; other times, they are used in conjunction with other methods (Longhurst, 2009). According to Barret and Twycross (2018) in-depth interviews are the most adaptable type of primary research and are most suited to eliciting comprehensive perceptions, opinions, and attitudes. Elsewhere, in-depth interviews are defined as “a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, programme, or situation” (Boyce & Neale, 2006, p. 3). The sections that follow outline the researcher's in-depth interview process, while section 3.5. describes the semi-structured approach used in the instrument design.

In-depth interviews are useful (Boyce & Neale, 2006):

- When detailed information is required on a topic,
- To explore new issues in-depth,
- To provide context to other data, for example, outcome data, when there is a need to understand what happened in the programme or why, and
- To refine questions for future surveys.

There are various advantages and limitations associated with in-depth interviews (Boyce & Neale, 2006). In terms of advantages, in-depth interviews provide more detailed information in contrast to surveys and provide a personal touch to data collection due to interaction with the researcher as opposed to a respondent completing the survey alone. In terms of limitations, in-depth interviews, as opposed to surveys, are more prone to bias as respondents are more likely to provide socially desirable responses due to the researcher's presence. In-depth interviews are often more time-intensive than surveys as it takes time to conduct, transcribe, and analyse the interviews.

According to Scanlan (2020), in-depth interviews have long been acknowledged as the standard method in data collection that aims at investigating experiences. This, he asserts, deepens the understanding of the research whilst building deeper knowledge and deducing the validity of each response. In so doing, the focus on the participants ensured that their experiences were highlighted, further enhancing the quality of data collected. Barret and Twycross (2018) further notes that getting access to the correct persons is the most critical component of in-depth interviews. The use of in-depth interviews allowed for a variety of questions to be included for both the private sector stakeholders (transformation managers) and the B-BBEE consultants. The shortcomings associated with in-depth interviews include their time-consuming nature (Bryman, 2012), especially when conducting, transcribing, and analysing the data. In this study, in-depth interviews facilitated in-depth interrogation of the issues and elicited additional information from respondents.

Interviews were conducted telephonically, on a one-on-one basis. One of the advantages of telephone interviews is that they are cost-effective and relatively easy to conduct (Farooq & de Villiers, 2017). In addition, the use of telephone interviews made it convenient for both the researcher and the respondents because respondents could be interviewed from across various geographical locations, according to their availability. One of the disadvantages of telephone interviews includes the inability to observe the behaviour or body language of the respondents (Hofisi et al., 2014). In addition, it is more difficult to build rapport during a telephonic interview as opposed to a face-to-face interview. This is probably why the duration of interviews was relatively shorter than the allocated time.

Opdenakker (2006) opines that, whilst face-to-face interviews have long been the dominant interview technique in the field of qualitative research, telephone interviewing became more and more common in the last two decades. Due to the explosive growth of new communication forms, such as computer-mediated communication (for example e-mail and chat boxes), other interview techniques can be introduced and used within the field of qualitative research. This assertion was corroborated by Roulston and Choi (2018).

The researcher kept journal notes during the telephonic interviews to identify preliminary themes that emanated from the interviews. In the notes, the researcher included links to relevant literature (Farooq & De Villiers, 2017). The researcher further noted personal elements of the experience, including instances where respondents showed great emotion and passion in a certain area, and where there were significant pauses in response to some of the questions.

The administrative process of securing appointments was not cumbersome but challenging in aligning diaries. The researcher approached the respondents telephonically and via e-mail to set up appointments for suitable dates to conduct the telephonic interviews. This specifically worked well as the respondents were allowed the ability to choose the most suitable times within their schedules. Three follow-up emails were sent, and calls were made by the researcher to increase the probability of responses from the sample of potential respondents.

The interviews were recorded on a smart device with the consent of the participants. Following each interview, extensive notes and recordings were transcribed. This was done to transcribe the words of the respondents verbatim for purposes of data analyses.

3.5 INSTRUMENT DESIGN

The researcher made use of in-depth interviews with a semi-structured interview guide. The interviews were semi-structured with a combination of closed and open-ended questions. As a precautionary measure, the researcher conducted one pilot interview with a transformation manager to ensure that the interview protocol was effective and clear. The results of this pilot interview demonstrated that the questions were relevant; however, the term "inclusive innovation" was unfamiliar, and the researcher had to provide context before asking this specific question. The semi-structured nature of the interview guides allowed the respondents to comprehensively engage with the questions, as well as enabled the interviewer to modify the questions during the interview to facilitate conversation, to request more explanations, and to construct follow-up questions (Dadzie et al., 2018).

The semi-structured nature of the interview guide is a distinct technique compared to the entirely structured technique reminiscent of surveys, and the unstructured, conversational technique. In this technique or approach, the questions are predefined or structured, but allow for open-ended responses, giving participants the liberty to inject fresh ideas during the interview. Guest et al. (2013) confirm that the questions developed are open-ended in nature where the questions allow ingenuity, creativity, and non-rigidity. In addition, the open-ended nature of questions assists in introducing a certain level of flexibility into research studies. The predefined questions characteristic of semi-structured interviews keeps the interview focused, thus preventing the respondent from veering off the research topic.

Scholars Kvale and Brinkmann (2009); Roulston and Choi (2018) observed that ingenuity, creativity, and non-rigidity are the reasons semi-structured interviews are considered one of the most effective and efficient ways of data collection in qualitative research. In addition, the researcher has the liberty to amend and change the questions so that a semi-structured interview paves the way for the participants to effectively explore their feelings, opinions, or thoughts.

The interview schedule was different for each group, i.e., transformation managers and B-BBEE consultants respectively. This was to ensure that the data collected from transformation managers and B-BBEE consultants was distinguishable and easy to analyse. The interview protocol for transformation managers is appended as Annexure A, and the protocol for B-BBEE consultants is appended as Annexure B.

Each interview guide was divided into five or six concise sections which explored definite themes. The themes explored approaches and strategies to transformation, with a focus on B-BBEE and ESD, and methods used by corporates to implement and evaluate these strategies.

Themes interrogated during in-depth interviews	
Private Sector Transformation Managers	B-BBEE Consultants
Section 1: General information To explore the meaning of transformation for the organisation and their perceptions around the B-BBEE policy	Section 1: General information To explore the B-BBEE policy framework and how the policy is working in its current framework
Section 2: Transformation strategy To ascertain what ESD strategies, if any, are employed by the organisation	Section 2: Approach to ESD To ascertain what ESD strategies, if any, are implemented by the B-BBEE consultant
Section 3: ESD strategy evaluation To determine how the corporate evaluates the strategies employed for ESD and its impact on the organisation	Section 3: ESD strategies To ascertain how well the B-BBEE consultant can consult on ESD matters
Section 4: ESD implementation To understand how the transformation manager communicates the role of ESD and to ascertain how the manager encourages the uptake of ESD	Section 4: ESD impact measurement and performance To gauge the perceptions around the implementation of ESD strategies and the impact of the investment for beneficiaries and the private sector clients
Section 5: Knowledge on inclusive innovation To ascertain the knowledge of the transformation manager when it comes to inclusive innovation	

Table 3: Themes that were explored in semi-structured interviews

3.6 DATA ANALYSIS

This study explored participants' views, opinions, knowledge, and experience as emanated from the conduct of qualitative, in-depth interviews. The researcher was guided by the six phases of thematic analyses as proposed by Braun and Clarke (2006). According to Braun and Clarke (2006), thematic analyses refer to the "method of identifying, analysing, and reporting patterns (or themes) within data". This, they assert, represents a foundational, conceptually demanding method for qualitative analysis that researchers should learn, due to the skills set it provides. The section that follows describes how the researcher practically applied Braun and Clarke's six phases of thematic analyses during the data analyses process:

Phase 1: Familiarising yourself with the data

During this phase, the researcher made notes of ideas and recurring meaning units as they emanated from the participant's responses whilst listening to respondents during the in-depth, interviews. The in-depth responses were transcribed verbatim, and the researcher read the transcripts repeatedly to gain familiarity with the data.

Phase 2: Generate initial ideas

The researcher identified, through notetaking, possible recurring messages that emanated from the transcripts and assigned codes to these. This process started as early as the data collection phase i.e., during the process of conducting the interviews. The researcher furthermore collated the data that was relevant to each identified code.

Phase 3: Searching for themes

The researcher then collated all codes into potential themes, and through a manual, colour coding method grouped the relevant data with its corresponding theme.

For example, under the code enablers to the implementation of ESD programmes, *leadership, legislation, procurement, support, and strategy* emerged as recurring themes. In contrast, themes such as the *legislative burden of B-BBEE, limited understanding of transformation by corporates, limited skills, corruption, and window dressing* were recurring under the code, barriers to the implementation of ESD initiatives.

However, in some cases, it was not as easy to neatly classify themes under the various codes. This was especially applicable in cases where participants held dissimilar views on issues and there was no consensus. The difference in the views held by a participant could be attributed to the unique and peculiar experience of each participant in the implementation of ESD initiatives and their varied knowledge and interpretation of B-BBEE legislation and policy. Nevertheless, these varied perspectives added a nuanced dimension to data analyses and contributed to an improved understanding of how ESD is implemented in South Africa.

Phase 4: Reviewing themes

The researcher verified the themes to determine if these worked well with the codes by working with a research assistant who also read the transcripts independently of the researcher and identified codes and associated themes. The researcher and the assistant then came together to discuss the themes, and in most cases identified similar themes which contributed to consistency in the identified themes.

Phase 5: Defining and naming themes

This phase involved ongoing analyses to refine the specifics of each theme and gave rise to names and definitions for each theme.

Phase 6: Producing the report

The researcher then selected the most vivid and compelling extracts and analysed these by relating them to the research questions and the literature review. The interpretive approach to the analysis was most suitable taking into consideration the different views from both the transformation managers and B-BBEE consultants.

3.7 TRUSTWORTHINESS OF THE DATA

Concepts such as validity, reliability, and generalizability are often associated with quantitative research, and there is no consensus amongst researchers to its applicability in qualitative research (Noble & Smith, 2015). Qualitative research is often criticized for lacking scientific rigour “with poor justification of the methods adopted, lack of transparency in the analytical procedure, and the findings mere a collection of personal opinions subject to researcher bias” (Noble & Smith, 2015, p. 34).

It is critical to comprehend the researcher's positionality in relation to the subject matter being studied and how this may influence the research. According to Holmes (2020) positionality influences how research is conducted, its outcomes, and results. It influences what a researcher chooses to investigate. Typically, positionality is determined by situating the researcher in three areas: (1) the topic of investigation, (2) the research participants, and (3) the context and process of the research (Holmes, 2020).

Whilst conducting interviews for this study, the researcher worked as a Business Development associate and interacted with transformation managers and B-BBEE consultants. Thus, the researcher could be considered an insider. According to Merriam et al. (2001) earlier discussions of insider-outsider status assumed that the researcher was either an insider or an outsider, however recent debates reveal the complexities inherent in either status. The boundaries between the two positions are not always entirely clear. The researcher has been exposed to the negative discourse surrounding the adoption of B-BBEE and the implementation of ESD initiatives and understands the complexities around delivering inclusive and effective ESD programmes. However, given that the researcher has not been involved in the implementation of ESD programmes, she lacked deep insights into the barriers and enablers to the effective implementation of ESD programmes.

Holmes (2020) asserts that positionality is influenced by reflexivity, i.e., the phenomenon where researchers acknowledge their role in, and influence on the research process. Thus, the researcher as an insider went through a reflective process and was conscious about their bias, exposure, and experience in the sector. Consistent with the reflective process, the researcher identified potential preconceptions that were informed by their professional experiences and beliefs. Considering these potential biases, the researcher operated from a level of yearning to learn and gain thick insights from the respondents as opposed to taking an all-knowing approach.

Golafshani (2003), explained that validity in quantitative research, “determines whether the research truly measures that which it was intended to measure” (Golafshani, 2003, p. 599). Elsewhere, validity refers to the “integrity and application of the methods undertaken and the precision in which findings accurately reflect the data” (Noble & Smith, 2015, p. 34). Golafshani (2003), defined reliability, as understood in quantitative research as “the extent to which results are consistent over time, and an accurate representation of the total population under study; and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable” (Golafshani, 2003, p. 598). Reliability, according to Noble and Smith (2015) describes “the consistency within the employed statistical procedures” (p. 34). Generalizability is defined as “the transferability of the findings to other settings and applicability in other contexts” (Noble & Smith, 2015, p. 35).

Noble and Smith (2015) proposed alternative concepts to validity, reliability, and generalizability as applied to qualitative research to enhance the rigour and credibility of qualitative research. These are discussed in the following paragraphs, and the researcher describes how these were applied in the current study. Noble and Smith (2015) proposed the concept “*Truth Value*” as an alternative to validity. Truth Value recognizes that multiple realities exist (Noble & Smith, 2015). To enhance truth value in this study, the researcher understanding their positionality and following principles of reflexivity attempted to reduce researcher bias having identified potential preconceived notions and insights of the sector based on their experience.

To reduce researcher bias, the researcher tried to clearly and accurately present participants’ perspectives. In this regard, the researcher recorded the interviews with the consent of the participants and transcribed the interviews verbatim. The researcher was able to listen to the interview recordings and re-read the interview transcripts to familiarize herself with participants’ views. In the reporting the findings, the researcher extracted rich verbatim extracts from the transcripts to remain true to participants’ accounts. The researcher furthermore made telephone and e-mail follow-ups with participants post-interviewing, to clarify certain issues that participants raised during the interviews.

Noble and Smith (2015) further proposed the concept of “Consistency” as an alternative to reliability. Consistency refers to the trustworthiness by which the methods have been undertaken and is dependent on the researcher maintaining a clear and transparent decision trail (Noble &

Smith, 2015). To enhance consistency in this study, the researcher deployed the same criteria to identify and select participants for the interviews i.e., they had to work in the transformation space either as a transformation manager, or a B-BBEE consultant. Most of the participants, except for one, on average had a minimum of five years' work experience in the transformation space which made them particularly knowledgeable on the topics of interest. The researcher consistently applied the snowball sampling methodology to ensure the inclusion of participants with a diversity of experiences and views in the study. In terms of data analysis, the researcher discussed the emerging themes from the data with an independent senior researcher who had 15 years of experience in applied social research, and who had insights into the transformation space, to identify similarities and differences in the interpretation of the data. This method of verification or review is referred to as inter-rater reliability and has been found to improve the rigour of qualitative data analyse (Burnard, et al., 2008).

Noble and Smith (2015) in addition proposed “Applicability” as an alternative to the generalizability of findings. Applicability considers whether the findings can be applied to other settings, contexts, or groups (Noble & Smith, 2015). To enhance the applicability of this study, the researcher contextualized this study through a literature review to situate it within current debates concerning transformation and the implementation of associated initiatives such as ESD, as it applies locally (i.e., South Africa), and globally. The researcher interrogated the methodological approaches that other researchers have deployed in similar studies to identify acceptable practices. To further contextualize the findings, the researcher provided a detailed profile of the respondents that were interviewed in this study as depicted in Table 1 and Table 2 above. The verbatim transcripts of the recorded interviews which were coded during data analyses further enabled the researcher to interpret the findings within the appropriate context.

3.8 ETHICAL CONSIDERATIONS

The subject of the protection of human rights in research reportedly became topical in the United States, and worldwide when the Nazi regimes' experiments with humans during the Second World War were exposed (Ketefian, 2015). This reportedly triggered the reveal of several research projects in the US which violated human rights (Ketefian, 2015). These events led to the adoption of several codes and declarations by countries worldwide to guide investigators when conducting research with humans (Ketefian, 2015).

Though these codes and declarations are country-specific, a couple of authors confirm that there

are three universal principles that guide investigators when conducting research with humans (Ketefian, 2015; Pillay, 2014). These are:

1. Respect for persons
2. Beneficence
3. Justice

These principles are discussed in the following paragraphs, and the researcher describes how these were applied in the current study. The section is concluded by a brief discussion of the potential ethical risk that this current study may have exposed the participants to, and the measures that the researcher deployed to minimize the risk.

Respect for persons speaks to the recognition of humans as autonomous beings, their self-determination, and their ability to make judgments about their person (Ketefian, 2015). Ketefian (2015) asserts that in some instances the autonomy of individuals may be compromised, for example, due to health or age, which deem them vulnerable and in need of protection. According to Pillay (2014), investigators show appropriate respect for persons when they seek **informed consent** to participate in the research without pressurizing them.

In the current study, as part of informed consent, the researcher informed participants of the background and objectives of the study before they consented to participate. This was to ensure that participants understood the aims and objectives of the research, and to inform their decision to participate. Participants were allowed to ask questions about the research. Participants were informed that the interviews would be voice-recorded and were notified that the audio recording of the interview would be used only for purposes of data analysis. The researcher explained that the extracts from the interview would not be personally identified. All participants signed a standard consent form before participating in the interview.

Participants were further respected through the application of the principle of **voluntary participation** by informing them that participation is voluntary and that they could withdraw at any given time without giving any reason, and with no negative consequence to them. Participants were assured that their responses would be kept strictly **confidential** by the researcher. Furthermore, they were informed that their names would not be linked to the research and that the organisations they represent would remain anonymous unless otherwise permitted by the participants. In doing so, the researcher adhered to the principle of **anonymity**.

Beneficence is defined as doing good and confers an obligation on the investigator to do good i.e., to benefit the subjects of the research (Ketefian, 2015). This principle, according to Pillay (2014), compels researchers to protect participants from any harm and to ensure the possibility of maximizing benefits to them. This study aimed to potentially benefit the participants in this research i.e., transformation managers and B-BBEE consultants by providing new insights into an under-researched area, i.e., the implementation of ESD initiatives, specifically enablers, and barriers to implementation. The findings from this study could potentially improve their approach to the implementation of ESD initiatives. It is noted that the third principle, **Justice**, has several meanings and that it involves retribution, fairness, and distributive justice (Ketefian, 2015). According to Pillay (2014), “justice dictates that the benefits and burdens of the research activity should be equally distributed” (p. 197).

There was a risk of breaching confidentiality during the research due to the type of organisational data shared by respondents. The respondents worked for JSE-listed companies as transformation managers and B-BBEE consultants. As a result, it was expected that they would be more hesitant to reveal sensitive information because it is uncommon in South Africa to publish detailed information regarding transformation and equality imperatives in the private sector. To minimize the probability of breaching confidentiality and exposing respondents or the companies they represented, their identities and those of the companies they represented were kept anonymous. The researcher utilized pseudonyms or codes to refer to respondents or companies in the findings so that their identities could not be linked to the responses they provided during the interviews. They were also given the option to withdraw from the study at any point if they felt forced to do so.

While B-BBEE legislation is very technical, ESD fits within the broad framework of historical racial oppression. It is therefore important to recognize that the nature and delivery of transformation policies require understanding and addressing the broken social contract in South Africa. Furthermore, it is imperative to acknowledge the effects of the Apartheid legacy and racial oppression that still exists in the country. Apartheid is an emotive topic and, there was a real possibility of emotional distress imposed on respondents while discussing sensitive themes such as racial oppression and gender diversity in the context of B-BBEE implementation. The researcher was conscious of some respondents' potential emotional vulnerability and affliction and put measures in place to "gently" deflect the subject in a structured manner. The researcher always reminded respondents that they were under no obligation to answer any question that they

were not comfortable with. This was done as a measure to reaffirm the sensitivity of this state of emotion.

The issue of gender and bias in B-BBEE had unintended consequences, whereby gender was viewed as a "bias" for certain groups (black females), inciting some respondents to show emotions of discontentment. In such instances, the researcher remained aware of the respondents' emotional state and acknowledged these emotions by respecting and responding in a welcoming and considerate manner without dismissing such feelings.

3.9 LIMITATIONS

While the qualitative approach used provides an opportunity to guide future studies in the field of Enterprise and Supplier Development, some limitations must be acknowledged given the lack of a substantial school of thought in the domain (Bryman & Bell, 2014). The first constraint requires the researcher to keep their understanding of transformation managers' and B-BBEE consultants' views and perspectives in check. Maintaining an open mind to new findings aids in the reduction of interviewer or respondent bias (Bryman & Bell, 2014). Given that this researcher worked in Transformation and Development at the time of the study, and has practical personal experiences, it is difficult to disassociate from personal experience. Denzin (2009) claims that these experiences and interpretations of others' lived experiences are of more use to researchers seeking to better grasp their significance for the benefit of a stronger study outcome.

The study is limited to the South African private sector transformation managers and B-BBEE consultants. Given the unrepresentative study sample, the study findings are not generalizable to the South African private sector. However, given the qualitative nature of the study, the findings provide in-depth and useful insights into the implementation of ESD initiatives in the private sector, an area that is under-researched in South Africa. Another potential limitation involves the fact that most of the B-BBEE consultants represented multiple private sector stakeholders. As a result, their responses could not be attributed to a specific ESD fund, but rather provided a general perspective based on the several ESD funds they represented. Some of the respondents had limited understanding of inclusive business models as a concept, largely because in South Africa this term is understood in the context of corporate social responsibility. However, the researcher explained the concept to respondents to diffuse the potentially limiting effect.

This study mainly included the voices of private sector implementers (i.e., transformation

managers and B-BBEE consultants) of ESD initiatives. It did not include the voices of other ESD actors i.e., the relevant government representatives, including the Department of Trade and Industry, and representatives from the B-BBEE Commission, amongst others, in the interviews. It also did not include the voices of SMMEs, i.e., the intended beneficiaries of ESD initiatives in South Africa which may provide a potentially limiting picture of enablers and barriers to the implementation of ESD initiatives in South Africa. The involvement of SMMEs was beyond the scope of this study because it was small and exploratory in nature. Furthermore, it was difficult to obtain consent from transformation managers and B-BBEE consultants to independently engage with their ESD beneficiaries. Therefore, the inclusion of SMMEs in future research is critical to create comprehensive knowledge about this topic. The researcher attempted to address this potential limitation by conducting a review of literature on SMMEs perspectives on the enablers and barriers in the implementation of ESD initiatives. However, several studies are based on desktop reviews or report the perspective of large corporates, thus excluding the voices of SMMEs. This reaffirmed the need for primary research that includes the perspectives of SMMEs.

The fact that telephonic interviews as opposed to face-to-face interviews were conducted could be regarded as another study limitation because it is more difficult to build rapport during a telephonic interview which could result in limited responses. The researcher opted for telephone interviews because it eliminated travel time and associated costs, and it enabled the researcher to interview respondents from anywhere in the country.

3.10 CONCLUSION

The study investigated the enablers of and barriers to the implementation of ESD initiatives as an inclusive innovation in South Africa. Given that this is an under-researched topic, the study was mainly exploratory and thus lent itself to a qualitative research approach. The study applied an interpretive approach to gain in-depth insights into the implementation of ESD initiatives in South Africa, and the research methodology was underpinned by Social Constructivism theory.

Given that the research aimed to contribute new insights by addressing the gaps that were identified in the existing knowledge, it was mainly inductive. The respondents were selected through snowball sampling, and the researcher deployed several strategies to ensure the validity and reliability of the research including recording and transcribing in-depth interviews verbatim to reflect participants' views accurately, and to minimize

researcher bias.

A possible limitation of the study is that it does not include the voices of important ESD actors such as the Department of Trade and Industry and the SMME beneficiaries of ESD. This may not provide a composite picture of enablers and barriers to the implementation of ESD initiatives in South Africa. The researcher applied thematic analyses to analyse the data, and to identify recurring themes. The key findings are discussed in the chapter that follows.

CHAPTER 4

RESEARCH FINDINGS

4.1. INTRODUCTION

This study aimed to answer the following research question: *what are the enablers of and barriers to the implementation of inclusive enterprise and supplier development initiatives in South Africa?*

This chapter presents the key findings that emerged from the in-depth interviews with transformation managers and B-BBEE consultants respectively. The chapter starts by presenting respondents' perspectives on transformation in the South African private sector.

Thereafter, there is a shift to the implementation of ESD as a vital pillar of B-BBEE with a focus on the common modes of implementation, and corporates' rationale for implementing ESD initiatives. The chapter proceeds to present respondents' views on the barriers and enablers in the implementation of ESD initiatives. The aim was to identify the factors that create an enabling environment for implementation and the factors that deter it. A further aim was to gain insights into the factors that potentially drive the adoption or implementation of inclusive business models by corporates. This was done by highlighting examples of projects that were implemented by companies that were potentially promoting the adoption or implementation of inclusive business models in the implementation of ESD initiatives. The chapter concludes with a summary of the key findings. The chapter that follows presents a discussion of the key findings and possible implications thereof. The final chapter presents the conclusion and makes recommendations for future research.

4.2 PERSPECTIVES AND PERCEPTIONS OF B-BBEE IN THE SOUTH AFRICAN PRIVATE SECTOR

The analyses of in-depth interviews revealed some of the key perspectives and perceptions of transformation strategies as developed and implemented in South Africa. The following emerged as salient themes and will be discussed in this section:

- B-BBEE and company strategy
- The cost of compliance
- Inconsistent understanding of the rationale for B-BBEE
- The importance of supplier development

4.2.1 B-BBEE incorporated in company strategy for growth

The responses imply that for B-BBEE to be successful, it needs to form part of the organisations' strategy to consistently drive the conversation from a strategic perspective. There was a sense that the decision to incorporate B-BBEE in the company strategy is directly linked to an understanding that the growth of the company is intricately linked with the implementation of transformation imperatives. Respondents conceded that companies that incorporate B-BBEE into their strategy are largely those with an objective and willingness to grow and transform.

In support of a strategic-based organisation and the implementation of their transformation strategy, the JSE listed consumer and packaged goods company developed a strategy to specifically develop an entire value chain for smallholder farmers as part of their ESD drive for the benefit of their beneficiary entities. These sentiments are expressed below:

“BEE is a responsibility we’ve taken as an organisation, it’s part of our strategic objective in the organisation. We had to tell them (suppliers) to become compliant or else we will be forced to rethink our business with them”. - IP, Participant 3 (transformation manager)

“To grow we need to look at the response of our growth strategy because if we can better our BEE rate, so it becomes part of our growth strategy”. -.MOP, Participant 7 (transformation manager)

“It is within the strategy of the organisation to ensure that our objective offer direction in the way and manner we operate B—BBEE compliance” – CA, Participant 5c (B-BBEE consultant)

Several respondents stated that their policies and strategies did not fully incorporate B-BBEE or ESD, but that they were gradually transitioning toward meeting the government's transformation agenda. As a result, they were hesitant to refer to their initiatives as fully-fledged ESD programs.

“We don't have a mandated and deliberate strategy to run ESD or implement BEE, however, we help SMME's in discussing ESD and implement B-BBEE policy especially in the corporate supply chain, we help fund them, we help them execute the programme so that they can do more and more work in corporate supply chains until they become independent”- FS, Participant 1c (B-BBEE consultant)

“It is within the strategy of the organisation, but the application has not found its feet, it needs to be embraced. In other words, it is like there is no strategy” - MCE, Participant 4 (transformation manager)

Other respondents explained that the adoption of the BEE policy within their organisation is still in its infancy and that they are not yet implementing a fully-fledged ESD programme. One of the respondents emphasised that they were implementing some aspects of ESD through their deliberate focus on the bottom of the pyramid i.e., the informal sector:

“Regarding BEE, we are very young in driving a strategic BEE strategy and even just purely a CSI strategy” AMS, Participant 2 (transformation manager)

“Our business's biggest target market is the bottom of the pyramid ... investing in the creation of micro-enterprises and SMME's and going one step further in supporting the youth in going into micro-enterprises becomes a business imperative”. AMS, Participant 2 (transformation manager)

4.2.2 B-BBEE compliance is financially costly

There was a sense that the compliance-driven nature of B-BBEE policy, through the measurement criteria, has greatly inhibited the organisational implementation of B-BBEE. B-BBEE compliance is measured utilising a scorecard, as such suppliers are measured using the B-BBEE Codes. To enable corporates to remain competitive as suppliers it is beneficial to increase their B-BBEE rating level, especially for participation within public sector projects.

It emerged that one of the organisational challenges negatively impacting B-BBEE is the high

financial cost associated with B-BBEE compliance for both national and foreign investment. It appears that the high financial costs associated with B-BBEE compliance make companies reluctant to adopt it as part of their strategy, and as a result, hinder the successful implementation of B-BBEE. The sense was that the financial costs associated with compliance are driven by the requirement for dedicated human resources and a specific skills-set, making B-BBEE as a policy almost impractical to implement:

“It is a very costly exercise for corporate and it requires human resources, a skill set as in the people coming in there must not look at it as a tick boxing exercise but as a growth strategy. It needs resources that can package it to deliver value for the whole company and change the perception authentically of how companies do what they do in transformation if we could drive the message that BEE is almost like an innovation private equity fund” – FMT – Participant 2-C
(B-BBEE consultant)

“They are so expensive and so bespoke to a point where we get other businesses and government officials to assist us in getting a proper budget” – AMS, Participant 2
(transformation manager)

4.2.3 Limited understanding of the rationale for B-BBEE inhibits the implementation

Several respondents were of the view that there is generally a lack of understanding of the rationale of B-BBEE laws and regulations.

“Reality is when you utter the words BEE, people immediately think about tenders, but it has other elements such as ownership and has little to do with tenders. I think what is missing is the understanding that it is a necessary tool for transformation and a must and maybe showing them the imperative and importance of compliance, which is a message we don’t get much from the top”. – AT, Participant 4c (B-BBEE consultant)

“Limitations come from lack of understanding hence many organisations are facing that challenge” CV, Participant 6 (transformation manager)

Transformation managers and B-BBEE consultants within social impact-driven companies further described the impact of the lack of understanding of the legislation. An unintended consequence, according to respondents, was that companies pursue B-BBEE and ESD as tick-

boxing or compliance exercises.

“The uncertainty is causing it to be a tick-boxing exercise because people are chasing pieces of paper instead of the implementation and practicality, the verification process is unnecessary”–

FMT, Participant 2c (B-BBEE consultant)

However, when the government announced the rules around public procurement, it was pronounced that entities needed to be B-BBEE compliant to work with the government. Thus, for several measured entities, this meant a shift in thinking that developing transformation strategies became more than just a compliance exercise, but a business imperative leading to pressure on entities to be compliant. There was a recurring view that the inconsistency in the understanding and application of the laws and regulations stems from a perceived lack of government leadership in driving transformation and a lack of coordination between the government and the private sector.

“By large the rules can be tweaked, the biggest issue is inconsistency from the regulators in applying them and that’s having a devastating effect. I think I would try and coordinate a better-integrated response between the government and private sector”

FMT, Participants 2c. (B-BBEE consultant)

“We live in a world where people are trying to transform, and not transforming. If the government was strict about transforming it would be done, but the government was hoping that the private sector would embrace it voluntarily”-AP, Participant 1

(transformation manager)

As part of the government’s objective in playing an active role in society, the codes have been amended in the pursuit of improving the desired outcomes of transformation. In instances where policy is amended without exhaustive consultation with key stakeholders such as the private sector, the outcome, as expressed by some of the respondents, has led to frustrations and a lack of confidence in government.

“...the one thing that has failed is the inconsistency in the implementation of B-BBEE. We’re an international company, we have worked with Japan. We go to explain (the transformation plan) in detail... only for you to come back two years later and the codes have changed, and you have to explain again”. MCE, Participant 4 (transformation

manager)

Some respondents suggested training on the technicalities of the legislation to promote a uniform understanding, as an important aspect in achieving consistency in how the policy is perceived and implemented. One of the respondents emphasised the dearth in the availability of training:

“Lack of technical training with regards to the technical element and codes which would help find gaps and the links is missing. It’s all about finance and projects. Moreover, you cannot have a formal study on BEE just like you would have for a lawyer which is very unfortunate. There is no course that gives a complete knowledge of codes and the overall ways of BEE. You have to train yourself; I had to go to conferences, research on my own to understand exactly what these codes are because BEE is broad.” – AMS, Participant 2

(transformation manager)

Some respondents indicated that training without a concrete plan to support direct access to market for beneficiaries derives little to no value for SMME beneficiaries:

“I think the money around ESD should be spent in giving opportunities to SMME’s as opposed to training and retraining and where there’s no contract or opportunity for the SMME” – FS, Participant 1c (B-BBEE consultant)

“SMME’s are small businesses they don’t have time to sit in a class, they are getting overly trained. They need to be on the road to search for clients instead of being kept in the classroom for self-reasons” – CA, Participant 5c (B-BBEE consultant)

Nevertheless, respondents considered supplier development to be a critical element of B-BBEE and ESD.

4.2.4 Supplier development key in the implementation of B-BBEE

Some ways in which companies have incorporated B-BBEE into their strategy were by including black-owned SMMEs and suppliers in their supply chains, and by further developing their capacity as suppliers as expressed in the following quotes:

“We are looking at working with a company which is 100% BEE, a black-owned

company where we grant permission from our other company in Japan. So, they are going to be doing some cylinders for us; we are outsourcing some of the work to BEE companies... we'd have normally done it ourselves but, in that way, we are doing supplier development.”- MCE, Participant 4 (transformation manager)

“One model is we help those black entrepreneurs in the corporates supply chain to source for the fund so that the participation in supplying can be total. We made such agreement happen between Coca-Cola and FNB to facilitate inclusiveness of black entrepreneurs” – FS, Participant 1c (B-BBEE consultant)

Supplier Development is the process of working with certain suppliers on a one-to-one basis to improve their performance for the benefit of the buying organisation. The rationale is that this would lead to improvements in the total added value from the supplier in question in terms of the B-BBEE rating.

Several respondents emphasized the value of developing suppliers for corporate value chains, which results in improvements in lead time and delivery. Other respondents expressed the importance of supplier development in that it is not only supposed to benefit the corporate or the buyer, but also the supplier. One of the benefits that would accrue to suppliers is the ability to gain access to markets, become economically sustainable, and, in turn, create opportunities for other market entrants:

“Our basis of funding is to find a way to give small businesses access and support during their process of growing to a point at which they can access funds through conventional funders in the market; When we put money into a business, our business model is much more about growing existing Black business” – FMT, Participant 2c (B-BBEE consultant)

The study found that corporates execute supplier development mainly through skills development and mentorship initiatives targeted at previously disadvantaged individuals. Support is given to beneficiary entities through training entrepreneurs in basic business concepts, supporting entrepreneurs with business tools, incentivizing entrepreneurs to practice positive behaviours and connecting entrepreneurs to like-minded entrepreneurs.

A multinational manufacturing corporation has intensified technical skills development through

apprenticeship programmes, artisan development, engineering training, and bursary programme for engineers as demonstrated in the following quote.

“If you look at skills development, we went out and did dedicate skills development drives, we have spent considerable time and energy in planning our skills development initiatives, so they are integrated with our other transformation initiatives as well as our overall business strategy”

CV, Participant 6 (transformation manager)

4.3 IMPLEMENTATION OF ESD IN THE SOUTH AFRICAN PRIVATE SECTOR

4.3.1 COMMON MODES OF ESD IMPLEMENTATION

The study found that ESD was mainly implemented through funding and supplier development initiatives targeted at historically disadvantaged SMMEs in South Africa.

4.3.1.1 Funding

The findings demonstrate that funding was implemented in a variety of methods as part of the ESD strategy for measured entities, depending on the entity's intended goals. Funding was usually issued as grants, which is a non-recoverable contribution made to a recipient and is instantly recognized for the benefit of the corporate's B-BBEE scorecard.

According to the findings of the study, most respondents believed that ESD financing for SMMEs has favourably impacted the growth of SMMEs, i.e., supporting them to become financially viable and to function independently, as indicated by the following quotation:

“We set up funds and we are going to be doing debt financing to finance SMMEs as we all post-investment support which is more of your business development approach and training. We believe there are two ways to get people economically active – affording them the opportunity to work in a business or empowering them to own a business. We’re making the effort to develop the operational and financial capacity of black-owned and black women-owned enterprises to become part of our value chain”. – AP, Participant 1

(transformation manager)

It emerged that in some cases; measured entities did not only administer funding as a single intervention but complemented it with other support initiatives including knowledge sharing,

learning, and technological tools. These initiatives reportedly have a direct positive impact on the supply chain of measured entities.

As part of risk mitigation and further support initiatives, some B-BBEE consultants put in place performance measures to improve the delivery and outcomes of their ESD beneficiary entities, as highlighted in the following quote:

“...the biggest risk around SMME’s is the performance; they have the money to execute but can they execute? The bank will be worried because they’ll say well these guys have no track record, they haven’t done this before so if something went wrong there are no resources to sort it out, whereas our system and process helps the entrepreneur execute the transaction and execute correctly on it, so after the first, second and even third time our clients know what to look out for, how to buy correctly, supply deals and discounts and all those little things that need to be worked on. We had to build this kind of technology, so we have oversight and to protect the client and ourselves because if these are missed no one gets paid”. - FS, Participant 1c (B-BBEE consultant)

As an example, one respondent pointed to a business that was supported by B-BBEE policy and has since prospered. They assisted the SMME by sponsoring the process of gaining higher points to qualify for government awards.

“We increased over 50 businesses turnovers by 1000% in less than a year and it’s just around giving the business confidence that they can now take on bigger and better jobs because they have a funding partner with them” FS, Participant 1c (B-BBEE consultant)

“One model is we help the public in general, we made funds available to help suppliers in the supply chains while we refer SMME beneficiaries who need help to other bigger funding enterprises. However, from our side, in the last couple of months, we provide about 5million rand to ESD space for SMME’s beneficiaries in general” - CA,

Participant 5c (B-BBEE consultant)

While few respondents agreed that they made exceptions and funded beneficiaries who were not necessarily suppliers, such beneficiaries were required to provide proof that they had the necessary experience and track record in the business. This is demonstrated by the following quote.

“We are much more interested in someone telling us about a business they already have and how they want to grow that business. When we put money into a business, our business model is much more about growing existing Black business”. FMT, Participant 2c (B-BBEE consultant)

4.3.1.2 Supplier development

The findings demonstrate that supplier development was mainly executed through skills development and mentorship initiatives. Several factors have driven organisations around the world to implement local procurement and supplier development concepts which many companies tend to view as identical. For the most part, programmes have been implemented because forward-thinking companies have recognised the long-term strategic benefit of including and integrating suppliers from local communities into their supply chain, rather than for philanthropic reasons or to comply with legislation.

The findings suggest that due to the compliance nature of B-BBEE and meeting score-based requirements, companies tended to view local procurement and supplier development from a compliance mindset with all its associated costs, rather than seeing the strategic value which could be gained. Some corporates developed supplier development programmes to accomplish the matching of business opportunities within the supply chain to the skills and capacity of the SMMEs. Other corporates supported beneficiary entities through training in basic business concepts and business tools and incentivising entrepreneurs to practice positive behaviours and connecting them to like-minded entrepreneurs. Supplier development initiatives varied based on the corporate’s transformation plan. In the implementation of their transformation strategy, one company developed a strategy to specifically develop an entire value chain for smallholder farmers as part of their ESD drive for the benefit of their beneficiary entities.

The thinking is slowly shifting, as I said in your previous question, we cannot pretend Apartheid never happened or the effects will just quickly disappear, what we can do is give out more work. We used to have ESDs that would only get R20 000 per month for Blacks when White companies could get R2000 000, we are slowly growing, and the Blacks enterprises are getting into the million leagues. It has now become a matter of doing the right thing and not just tick-boxing. The colour shift is starting to unravel we’re all South African and not Black, White, or Coloured”. AP Participant 1 (transformation manager)

The findings alluded to some of the best practice interventions that were implemented for developing suppliers in an emerging market. Some of the respondent companies have recognized the strategic benefit of including local suppliers in their supply chains.

“We have a portal called iHive, the sole purpose of its existence is to give our Black-owned beneficiaries access to the market. We build this portal to serve as a means through which data or information of different markets for different products or items are stored under given conditions. The beneficiaries go through the process of registering after fulfilling certain criteria which includes ‘must have attended’ training etc. The portal information is provided during induction training for new beneficiaries as training is as critical as access to the market. FMT, Participant 2c (B-BBEE consultant)

“Some of the business supported include those doing protective clothing, protective wear and we have importing of machinery and equipment for people like SASC, MT and we also have a client manufacturing timber pellet – MCE, Participant 4 (transformation manager)

Local procurement has several drivers across sectors, companies, and countries, including a social license to operate, sustainable development, supply chain value, and regulatory and governmental pressures. However, several challenges often exist in integrating local procurement into the supply chain. A supplier development intervention that has proven to be successful is that of LB a packaged products organisation in South Africa. Two years ago, LB developed a B-BBEE strategy and a path that favourably restored the rating of the organisation. Furthermore, management tools and governance structures were put into place to ensure that the set targets were achieved and that B-BBEE was part of the companies’ everyday philosophy. This approach included the setting up of a B-BBEE group whose mandate was to oversee B-BBEE activities while offering the organisation a clear perspective of their objectives in managing their various business units, and areas that needed attention and further business improvement.

The organisation’s drive was to open the avenues for emerging black business owners to supply wheat totalling about R500 million. The amount spent on B-BBEE verified suppliers exceeded this target and was worth R5 billion. This serves as a testimony to the organisation’s unrelenting obligation in transforming and contributing to the socio-economic emancipation of the people in

South Africa. LB supports socio-economic transformation by promoting the application of the B-BBEE Act, and other supply initiatives. In aligning with the inclusive business model, the organisation put together a strategic or action plan to promote the building of sustainable entrepreneurship while bolstering the required association with all internal and external stakeholders. LB was set to increase the number of small-scale “farmpreneurs” or “agripreneurs” while in the process increasing the number of black suppliers for the organisation.

The strategy is that training more black entrepreneurs in ESD and B-BBEE related projects would increase the probability of awarding black businesses with valuable projects. The ESD initiative covers areas such as procurement wherein the black farmer businesses were developed, and their activities were extended to high-value agro-processing. Likewise, the organisation ensured that the product distribution chain was tailored towards incorporating a goal of setting up black SMMEs as the main product distributors and micro distributors for LB products. The focus of the organisation was to ensure that the employees or workers own the transformation process as guided by the B-BBEE policy. In summary, B-BBEE and Transformation emerged as key to the operation of the organisation largely motivated by developing an inclusive supply chain for SMMEs.

4.4 RATIONALE FOR ESD IMPLEMENTATION

Compliance still emerged as the main reason for the implementation of ESD initiatives amongst corporates in South Africa. This is despite indications of a positive shift in thinking amongst some corporates about the rationale for B-BBEE and ESD. The study found that some corporates were beginning to understand that transformation was imperative for economic growth, and to shift societal and economic change in favour of the disadvantaged.

4.4.1 Compliance

Previous research demonstrated that corporates in South Africa mainly implemented ESD for purposes of compliance. This finding was replicated in this study. B-BBEE compliance is measured using a scorecard, as such suppliers are measured using the B-BBEE Codes. Thus, some corporates tended to approach B-BBEE from a perspective of self-interest i.e., increasing their B-BBEE rating level to remain competitive and to derive the benefits associated with a high rating. One participant summed it up as follows:

“The codes are brilliant.... the people who have taken this up are mostly white people,

they are mostly doing it for compliance and their own benefit” NGO, Participant 3c (B-BBEE consultant)

While compliance remains an essential aspect in ESD adoption, it is evident from the findings that there is a notable shift amongst some corporates in thinking, away from compliance as the primary driver for B-BBEE and ESD implementation, to an acknowledgement of the big-picture rationale for B-BBEE, namely economic inclusion:

We are currently at level 5 which has immensely improved our scorecard, there was a lot of teething problems at the beginning but I think everyone is very much aware of the significance of compliance with the codes now. I also think there was a gap between the need to comply with BEE and the value we can derive from complying with BEE and that is sort of a crisis, the BEE framework can bring great results when implemented correctly and as we achieve this, leadership can not only continue to understand the value of the framework but also start to buy into what you’re doing more and more”

AMS, Participant 2 (transformation manager)

“ESD will be at the heart and centre for SA to recover from the pandemic [reference to Covid-19 pandemic]. It’s a very hard space to work in but where it was at the back of the corporate mind and very compliance driven. What is going to drive corporate forward is largely moving away from compliance and being willing to invest in the economy in a meaningful way. SMMEs will be the ones to help create jobs and produce goods we were previously importing. Imperative for corporates to shift their thinking”. FMT,

Participant 2c (B-BBEE consultant)

4.5 ENABLERS TO ESD IMPLEMENTATION

In this section, we highlight the organisational factors emerging from the data that explain why some corporates are effective in implementing ESD initiatives. The main enablers derived from the findings included leadership style, the symbiotic relationship between companies and the communities they serve, legislation, and procurement and strategy.

4.5.1 Visionary Leadership

According to the research, leadership style and vision were important factors in driving ESD strategies. The respondents agreed that leadership style involved identifying the strategic alignment between the national transformation agenda and company policies and strategies. According to some of the respondents, their leaders embraced the principles of the transformation agenda by empowering disadvantaged individuals and SMMEs while sharing the benefits of economic prosperity equitably. This idea was elaborated on by different respondents:

“The nature of the business and especially where and how it started, it is a new company and I think it really started trading around 2001 and when I say started trading I mean it started selling airtime from our CEO’s boot and it is now a listed entity and the nature of our business when it started from the sale of prepaid airtime and our market is the informal or bottom of the pyramid market and a lot of the work we did really did somehow, if you look at our operations you could very well say that it was almost naturally enterprise development in nature, what we did from the beginning was training and empowering individuals in the bottom of the pyramid markets to sell airtime within their informal communities” – AMS, Participant 2 (transformation manager)

The leadership of this JSE-listed innovative mobile technology company has encouraged the inclusion of the Bottom of the Pyramid (BoP) within their business culture, and as a result, when discussions about B-BBEE emerged from a compliance standpoint, it was a palatable decision and supported by the board. The firms’ pursuit of these initiatives has relied heavily on top-level leadership backing.

Inherent in this leadership style is the ability to identify and develop innovative measures that facilitate the promotion of shared value principles that have broader societal and economic development impacts. The practice of shared value found expression through the meaningful integration of beneficiary entities into the value chain of the company to promote a win-win relationship that would benefit both the measured and the beneficiary entity. The following quotations exemplify this point:

“We focus on creating entrepreneurship opportunities for groups of people and suppliers who were previously excluded from participating in the mainstream economy. In one of

our landmark enterprise development contributions, we have successfully worked with former machine shop workers to ensure that retrenched employees are in jobs and are empowered to have shares in a start-up business that is also a supplier to our company. In addition, we continue to support the EPG machine shop initiative which was loaned 32 industrial machines, interest-free. EPG supplies machining services and components required by our company. We also support a roof bolter initiative, giving an emerging miner discount opportunity on a roof bolter, thus enabling their entry into the market”. –

MCE, Participant 4 (transformation manager)

“We are doing a project called LT and what we are developing is a micro mall hub located in informal markets and townships, the goal here is to formalize the informal sector and we are in the distribution of tech products or devices that can sell airtime, data and do bill payments, going a step further would be stimulating the creation of these micro-enterprises. These would be fast-food, clothing and all, another example would be the kasi villages” – AMS, Participant 2 (transformation manager)

4.5.2 Symbiotic relationship between the corporate and the community

Several respondents alluded to the fact that the practice of shared value principles emerged as characteristic of visionary leadership which found further expression through the pursuit of symbiotic relationships between the corporate and the community to drive social and economic outcomes.

“We as a transformation team are quite involved with the part of business that focuses on distributing our products, services, and devices within the informal market...thereby develop the community in parallel to ensure a better chance that the community will support market penetration and market growth objectives” – IP, Participant 3

(transformation manager)

“What we have to offer is tech, intellectual and financial capital but for us to be a sustainable and profitable business we need our partners, customers, stakeholders to leverage off their market capital and their social capital especially where the informal markets are concerned, those partnerships with our stakeholders are hugely significant and we look to invest in it being more than just a client relationship” – AMS, Participant

2 (transformation manager)

Internal cultural collaboration is key to the success of ESD projects. A respondent pointed out that there should be a sense of accountability among internal stakeholders and SMMEs. This collaborative approach addresses the potential in building a foundation of co-creation within the ESD space. The symbiotic relationship often entailed the corporate's active participation to start building confidence in black suppliers and driving the narrative that they can perform. This emerged as an essential part of the co-creation process. LB hired a company to produce 5% of their volume, after which they informed the company of the next stages. In LB's case the co-creation process began with the belief that it can be done by the SMME to instil confidence in SMMEs, as well as reassuring their ability to deliver:

We need to normalize buying from Black entrepreneurs, and they need to know that we're buying and that they're delivering, as I often say. If you don't, do it, there will always be a sense of unease and scepticism because people aren't seeing it. – AP – Participant 1
(transformation manager)

TLC is a mobile-technology associate and a major player in the bottom of the pyramid markets, contributing meaningfully to addressing inequalities, unfair distribution of opportunity, and financial inclusion within society. The aim of this organisation goes beyond the merely philanthropic and compliance paradigm by rising above conventional corporate social responsibility and embedding a shared value philosophy in their transformation and business strategy.

This organisation birthed the Tsi Village which is an urban township economic ecosystem development concept that sought to combine multiple avenues of developmental funding into one project, and which aimed to create a network of microenterprise franchises from the township community while assisting them to establish access to market and supply chains. The focus of the Tsi project is on the development of modern containerised community-based microenterprises. It is reflective of TLC's proactive approach and commitment to micro and small enterprise development. These programmes offer a physically and technologically enabling environment for youth-driven microenterprises to incubate, scale and thrive to support their aspiration in the fourth industrial and digital revolution. By stimulating the demand-side of the economy, the first pilot Tsi located in one of the provinces was launched three years ago.

Recently, six additional sites have been established in some other locations. The following quotation explains more about the strategy of the organisation regarding social inclusion.

We needed to bring balance, bring an expert element to community. We realized that there needs to be an incubation environment and training / mentorship should be done, then after a year let them manage and even buy shares. – AMS, Participant 2
(transformation manager)

4.5.3. Legislation and Procurement

There was a sense amongst respondents that the B-BBEE legislative and policy environment created an enabling environment for the implementation of transformation initiatives such as ESD. The B-BBEE codes were described as a push factor for corporates to comply as their ability to procure government work was closely linked to their growth and expansion.

“The B-BBEE codes are the key push, and corporates started seeing the positive effect on creating jobs, and growth in terms of revenue. B-BBEE policy has been a major enabler to get business with government” IP, Participant 3 (transformation manager).

Some respondents emphasized that procurement buy-in is the most critical enabler, accounting for 80% of the time required to implement ESD. However, others cautioned against the risk in procuring solely from the disadvantaged at the expense of suppliers who can invest huge capital to meet supply in terms of quantity and volume. It was also observed that previously disadvantaged suppliers frequently failed to meet demand in terms of quantity and volume, and the expected delivery timelines. As a result, they frequently encountered difficulties in supplying at lower costs, causing inefficiencies in the value chain. The quotes that follow demonstrate these sentiments:

“If I buy for R10million, I supply everything from start, there is no gap in demand and supply, it means I have people who give me what I want, so when you say “let’s bring previously disadvantaged groups”; ...it’s either the existing players need to be reduced in numbers or in values; if you’ve banked R10 million from suppliers, there need to be suppliers exiting to make space for Black entrants or you need to reduce how much you spend on them to make space for Black suppliers and that is where the conundrum starts;

now we must make space for someone we don't know" at the expense of someone we know, we are expected to take a leap of faith, that's where it became an issue"- AP,

Participant 1 (transformation manager)

"We had a project at X with procurement and it was lettuce supply and some of the suppliers were Black but the problem is that if we are buying lettuce for R400 million from 3 suppliers, now you're giving me someone who is going to need R600 000 per year and the others are millions, it doesn't make sense; small businesses need to be checked on, funded and loaned to and that is a lot of work" AP, Participant 1 (transformation

manager)

4.5.4 Implementation strategies for ESD initiatives

Many respondents referred to the importance to have a dedicated strategy in place for the implementation of ESD. This strategy, in their view, should include a beneficiary support programme that promoted dedicated time for engagement with beneficiaries, and that offered approaches to training and mentorship.

"The engagement is important, you can never leave someone you support to their own devices, there needs to be regular interaction, reporting, and assistance because not every plan will work accordingly, therefore, we need time to augment these plans.

Ongoing non-passive role as an ESD facilitator implementing on behalf of a client is crucial" AT, Participant 4c. (B-BBEE consultant)

"Our ambition is to reorganise and empower existing and new township entrepreneurs and enterprises, through the enablement of skills development, ongoing mentorship, and support. In addition, we offer business infrastructure development underpinned by the incorporation and use of technology" – AMS, Participant 2 (transformation manager)

Other respondents alluded to the importance of including employees in the development and execution of the strategy to implement ESD.

"What's missing in companies is taking employees along and making employees realize diversity and inclusiveness which is needed, but to own the process and strategy"- MCE,

Participant 4 (transformation manager)

“It has however stimulated the economy and brought us to the forefront of our agenda in a corporate world we are having advanced conversations. So, we are quite focused on ESD and that’s a win” – AMS, Participant 2 (transformation manager)

Some respondents noted that their enterprise has developed the ability to identify and fill the gap in the market and that they remain committed to the total transformation of people with genuine ideas.

“It is identifying the gap in your supplier database or procurement, ascertaining the gap in the market and if you’re going to go for enterprise development you have to take into account the legislative requirements” – CV, Participant 6 (transformation manager)

“We had a guy with security ideas, one who can trace deceased people in mortuaries and locate their families, another one could run agriculture digitally, transport tracking systems and deliveries. These are genuine ideas of people who know what they want to get into” – MCE, Participant 4 (transformation manager)

Respondents emphasized the importance of strategic and rigorous approaches to supplier selection, training of SMMEs, and coaching by professionals with significant experience to increase the chances of success and improve the outcomes achieved. TLC advised that for every successful partnership, they have had a few unsuccessful ones. An example is that of their community-based ECD centres which were located adjacent to the hubs to earn revenue for the centres. Furthermore, they trained local church members to be agents for some of their products, however, the uptake was slow and led to limitations as demonstrated in the following quote.

“One of the challenges experienced with the church is that they are not commercially minded, there’s a lot of time and handholding to support them to instil a business mindset, however, it might be different for the ECD centres as the mama’s run those businesses with little access to resources and support from government”. – AMS – Participant 2

Most of the respondents agreed that as part of an effective strategy to implement ESD, there was recognition of the importance of effective communication and monitoring and evaluation strategies to form part of such a strategy.

“What is important is always assessing the impact of your contribution, and the best way to motivate other people is leading by example, a lot of companies need to drive transformation within themselves before spreading the word to other organisations” –

AT, Participant 4c (B-BBEE consultant)

“A lot of time was invested in roadshows, workshops, to understand the codes and we also make sure to debrief a client once a verification has taken place..... we show where shortfalls or the gap analysis is so the client identifies mistakes and improve to correct those mistakes” – STS, Participant 5 (transformation manager)

4.6 BARRIERS TO ESD IMPLEMENTATION

4.6.1 Legislative burden of B-BBEE

There was a sense amongst respondents that while most corporates are leaning towards accepting the transformation agenda of the government, the lacuna entrenched in the legislation that supports B-BBEE as a policy has made its implementation practically difficult. As a result, few of the corporates tend to implement B-BBEE and ESD solely for the sake of compliance. This may become counter-productive to the real intent of ESD initiatives and can de-motivate other patriotic organisations that are truly implementing ESD initiatives for actual social inclusion.

Respondents were concerned that the lack of punitive measures against corporates that contravene the B-BBEE Act may disincentivise corporates from making effort to engage SMMEs as potential ESD beneficiaries. Hence, such corporates would continue to implement ESD solely for the sake of compliance and excluding SMME’s from the economic gains that they are meant to reap from the transformation imperatives. The following quotes capture these sentiments.

“The tick box practice has failed.... the people who are serial beneficiaries are also extremely problematic. The system constantly enriches the rich by changing the codes without consultation and this allows them to break their business to smaller businesses so that they can avoid the specific threshold” – IP, Participant 3 (transformation manager)

“The B-BBEE has failed; it’s hard to achieve it. A lot of what is happening is not broad-based. A lot of corporations started to put together ownership schemes and somewhere there the system was abused, hence the practice of tick-box compliance. The framework

is amazing, but the implementation is hard. It can also be a little contradictory” – AMS,
Participant 2 (transformation manager)

A couple of respondents noted that the constant amendment of B-BBEE policy without consulting the relevant stakeholders served as a deterrent to effective implementation of ESD programme as expressed below.

“The constant review of the codes during BEE legislation amendment becomes a source of concern to the implementer of ESD initiatives...likewise the awareness of such amendment affects already existing initiatives” – AP, Participant 1 (transformation manager).

“The implementers often amend the policies with limited consultation”. FMT, Participant 2c (B-BBEE consultant)

Respondents further noted that the lack of stakeholder engagement or consultation regarding the B-BBEE policy resulted in varied interpretations of the B-BBEE policy.

“There was never a stakeholder engagement within our organisation to motivate or clarify anticipated grey area. We work on a similar policy but with different understanding” NGO, Participant 3c (transformation manager)

“Sometimes when you pulled a call to people from the government for clarification on certain areas of the legislation, you received different responses and that makes implementation difficult even if the corporate would like to be thorough with ESD initiative implementation” – AP, Participant 1 (transformation manager)

An opposing view was that nothing was lacking in the B-BBEE policy and legislative frameworks, but that the shortcomings resided with the implementers who perpetrated corrupt practices.

“It’s not the framework that’s got a problem; the problem is the cowboys in the backend who are only looking for a loophole”. – CA, Participant 5c (B-BBEE consultant)

The respondents further highlighted that the lack of accountability for BEE consultants has played a role in the corruption:

“But even ethically there is no one to hold a BEE consultant liable for anything they do whether it is right or wrong as a consultant. The consultants go round to corporates to say, “I know BEE let me fix your scorecard” ...but how accountable are they in doing the right thing” – NGO, Participant 3c (B-BBEE consultant)

Notwithstanding the above, the issue of window dressing / “fronting” was still viewed as quite prevalent in the implementation of B-BBEE causing unintended consequences as noted below:

“The one thing they need to look at is the gender piece because it can also be another way of fronting. Also, the people who are serial beneficiaries are also extremely problematic.”. – IP, Participant 3 (transformation manager)

Though factors such as corruption and “window dressing” were mentioned to a lesser extent as deterrents, one view was that these practices were exacerbated by a lack of monitoring and evaluation by the custodians of B-BBEE. The Director of Enterprise and Supplier Development at the JSE listed Consumer and Packaged Goods Company mentioned noted the following:

“It’s the question of, whether the team that drives BEE has the expertise and skills to know that there needs to be monitoring systems. People know they need to monitor but no money has been allocated for it.”. AP, Participant 1 (transformation manager)

4.6.2 Lack of capacity and will amongst corporates to deliver ESD

Most respondents observed that companies were more interested in benefiting unduly at the expense of the government’s transformational mission. They emphasized that the companies and shareholders often had a negative predisposition about B-BBEE’s primary focus on black ownership, which fuelled the lack of will amongst certain corporates to transform. The view was that few corporates were fully involved with the right intention.

“The internal issue is not about communication but boils down to inaction by the corporates and how to measure internal activities should action be taken at all” – AP,

Participant 1 (transformation manager)

“We live in a world where organisations pretend to transform, but are not actually transforming – CA, Participant 5c (B-BBEE consultant)

Furthermore, a key challenge for measured entities is that of limited skills amongst those tasked with the execution of ESD initiatives. Some of the participants suggested the need to re-evaluate company activities, and to re-align, train, and monitor their employees to learn the basics of ESD initiatives for future engagement.

“The challenge encountered has to do with an inadequate training programme for those in charge of ESD initiatives aside from the transformation manager, and whenever there is training, monitoring the effectiveness becomes an issue” FMT, Participant 2c (B-BBEE consultant)

4.6.3 Lack of capacity amongst ESD beneficiaries

Furthermore, respondents identified a skills gap amongst the intended beneficiaries of ESD. The view was that in the absence of training and mentorship programmes, the skills gap will remain unsolved and execution of ESD initiatives would be a mirage.

“We needed to ensure a balance of activities while bringing export elements to the community. We realized that we do not have incubation environment /facilities and mentorship programme to support ESD initiatives implementation” – AMS, Participant 2 (transformation manager)

A few respondents identified the poor selection of ESD beneficiaries as a deterrent to the implementation of ESD activities. They alluded to the inclusion of black entrepreneurs who already had their own success stories, outside of the ESD initiatives they participated in. They were perceived as stuck in their ways of approaching business, and thus inflexible to blend with the ESD programme. Some respondents complained about the time spent to tutor ESD beneficiaries in various areas of business.

“Another barrier has been that initially, we took people who were already running their own business, it was hard to get them to do things our way or catch some of our methods like sales calculation, and just a sustainable structure. – NGO, Participant 3c (B-BBEE consultant)

“Some of the people who registered their interest in ESD initiatives programme have no primary prerequisite for this kind of business activities, hence no sign of progress because of their lack of experience” FMT, Participant 2c (B-BBEE consultant)

4.7 ESD AS INCLUSIVE INNOVATION

According to Heeks et al. (2013), it is important to distinguish between two “aspects” of inclusion. These include (1) “*passive inclusion*” which focuses on reducing income inequality and lifting the poor out of poverty through increased income, and (2) “*active inclusion*” which focuses on providing the excluded with rights, voice, capabilities, and incentives to become active participants.

The findings that follow aim to demonstrate how certain measured entities were involved in some aspects of “*active inclusion*”. These entailed including beneficiary entities within their supply chains as suppliers and making deliberate efforts to give them access to markets.

4.7.1 Inclusion in corporates’ supply chains

The findings demonstrated deliberate efforts made by some corporates to include beneficiary entities in their supply chains as suppliers. LB set a mandate to purchase supplies and by-products exclusively from Black-owned businesses with a fund at the value of R400 million.

“LB supports socio-economic transformation by promoting broad-based black economic empowerment and other supply initiatives. In aligning with the inclusive business model, the organisation put together a strategic or action plan in increasing the number of small-scale farmpreneurs or agripreneurs. For example, the organisation’s drive regarding ESD initiatives opens the avenue for emerging black business owners to supply wheat of a total sum of about R15,6 million being spent on B-BBEE verified suppliers.” FMT, Participant 2c (B-BBEE consultant)

The following quotes attest to similar efforts to include SMMEs in corporate supply chains.

“Some of the business supported include those doing protective clothing, protective wear and we have importing of machinery and equipment for people like SASC, MT and we also have a client manufacturing timber pellet” – FS, Participant 1c (B-BBEE consultant)

However, for many SMMEs, the question of how to become a supplier to a corporate organisation remains a dilemma because it necessitates compliance with international standards, which has become a big barrier to entering the supply chain. There was recognition that beneficiaries still required support and guidance in the form of funding, skills development, mentoring, and incubation to successfully execute their operations.

“The organisation supported many farmers in two provinces through a special fund, with the purpose of reaching out to more farmers who were in dire need for financial support for their businesses” – AP, Participant 1 (transformation manager)

“Our system and process help the entrepreneur execute the transaction and execute correctly” – NGO, Participant 3c (B-BBEE consultant)

There was also some evidence of co-creation between measured entities, SMMEs, and communities that could be directly linked to corporate initiatives to include SMMEs in their supply chains.

4.7.2 Co-creation between measured entities and beneficiaries

According to respondents, factors that enabled co-creation were the significance of buy-in from leadership, and secondly, monitoring tools to measure whether the leadership buy-in truly translated to actions. Initiatives that were referred to as an example of co-creation between the measured entity, its ESD beneficiaries, and the community, was the youth orientated Tsi programme referred to earlier.

The Tsi project identified local entrepreneurs who started as sales agents for some of the measured entity’s key products that were distributed in low-income communities. Through multiple sessions and training with the local entrepreneurs, they identified local champions who were successful in the sales and distribution of their products. What emerged were negotiations

with the community to set up a digital containerized hub to provide services and products through the network of identified local entrepreneurs. The communities' involvement was integral in getting buy-in at a larger scale for the corporate to trade in the community. The environment co-created by the corporate and the community was enabling and involved the technological introduction of new digital services within the community.

Access to the market was considered an important form of driving inclusive innovation amongst beneficiary entities and was directly linked to real transformation.

4.7.3 Access to market – missing link to transformation

Despite deliberate efforts by some companies to give SMMEs access to markets or value chains, some respondents felt that this was not a consistent practice. Some participants were of the view that the B-BBEE regulations disproportionately emphasized skills development and training, to the neglect of encouraging a conducive environment for the creation of opportunities for SMMEs to gain market access as argued below:

“I think they should change the regulation around it and ensure that the points accrued are tied to actual access to markets or how much access to markets have you created for SMMEs. I think if they could change the regulation to have less learning/training but more market access. When accessing the market, they can, in the process, begin to support them in training. With this practice, we can actively support job creation” – AT, Participant 4c B-BBEE consultant)

“A particular organisation collects ESD funds from different organisations, they then pool the funds and say they are developing black entrepreneurs, but how they are developing is not by giving them money but by giving them experience and lead them to access market. I'm advising and mentoring someone surely, I should get paid for it but if you're not giving them an economical instrument like money via access to market, then you're not helping. “– FMT, Participant 2c B-BBEE consultant).

Some respondents attributed the lack of market access to corporates lacking faith and trust in SMMEs as alluded to earlier. This phenomenon, they noted was fuelled by corporates' perceptions of SMMEs as inexperienced and lacking the necessary capacity, whether in terms of human resources, financial resources, or other factors to deliver effectively and efficiently.

We need to start setting up mega Black businesses that can meet demand on a large scale. If you cannot supply 2000 tons, they don't even look at you. In 2019 we had 48 farmers and they only produced 500 tons so you can imagine, if one company needs 2000 tons or nothing and you have 48 farmers producing not even half of that. Small businesses need business models and enablers, and they are lacking that” – AP – Participant 1 (transformation manager)

4.8 CONCLUSION

The study revealed a positive and noticeable shift in thinking amongst certain corporates i.e., adopting ESD as a strategy for growth and inclusion, rather than implementing it merely as a tick-box or compliance exercise. Ironically, the study confirmed that compliance, albeit it emerging as a costly exercise in this study, persisted as the main reason for corporates implementing B-BBEE or ESD. Respondents reported deliberate efforts by some corporates to align B-BBEE and ESD to company strategy, and this was achieved mainly through the inclusion of SMMEs in supply chains.

Respondents highlighted that the persistent lack of understanding of the rationale for B-BBEE amongst corporates fuelled perceptions of B-BBEE as a get-rich-quick-scheme for “*tenderpreneurs*” and tick-box exercise that is removed from their core business. Several respondents attributed the inconsistent understanding of B-BBEE to a lack of government leadership in capacitating stakeholders on the Act. They further attributed it to limited consultation of the private sector when the government made amendments to the policy.

The main enablers to the implementation of inclusive ESD initiatives that emerged from the study was visionary leadership; symbiotic relationships between the corporate and the community; legislation and procurement, and finally, the strategies adopted for ESD initiatives. The barriers to ESD implementation that emerged from the findings included the legislative burden associated with B-BBEE; lack of corporates capacity to deliver ESD; and limited skills amongst the intended beneficiaries of ESD.

There was recognition amongst some respondents of efforts made by some corporates to implement ESD as an inclusive innovation. The study found evidence of co-creation amongst some corporates and communities, and this was regarded as a direct outcome or

feature of the visionary leadership style. However, respondents highlighted that SMMEs were still not enjoying sufficient access to markets due to some corporates exhibiting a lack of faith in SMMEs. The following chapter discusses the findings of the current study within the context of the existing literature.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 INTRODUCTION

More recently, the conversation has run wider, becoming increasingly infused with the language of systems thinking and complexity. In this light, the most profound social innovations are not solutions to discrete problems. They are disruptions to fundamental social practices and relationships – the regulative, normative, and cultural structures that inscribe systems, Heiskala, Howaldt; Schwarz; Howaldt et al.; Murray et al.; Westley and Antadze (as cited in Nilsson, 2019, p. 284). Put simply, social innovation is social change (Cajaiba-Santana, 2014).

This quote captures the true spirit and intent of social innovation, and inclusive innovation, initiatives that emphasize the meaningful inclusion of the vulnerable and excluded in all processes of innovation, that promote their equal share in the economic spoils of the land. This is a goal that aligns with the national transformation imperatives such as B-BBEE and ESD in South Africa.

This study aimed to examine the enablers of and barriers to the implementation of inclusive enterprise and supplier development initiatives in South Africa. This research study offered responses to the fundamental questions about how ESD initiatives were implemented by corporate South Africa for the benefit and development of inclusive supply chains.

The key findings highlighted:

- ❖ A fundamental shift in thinking amongst some corporates in South Africa that embraced the true intent of transformation imperatives such as B-BBEE and ESD. This finding contributed a nuanced perspective of B-BBEE that is in stark contrast to previous studies that mainly highlighted the negative perceptions that were associated with transformation initiatives (Mosala, Venter & Bain, 2017)
- ❖ A recurring theme of a limited understanding of the B-BBEE Act and its associated policies and regulations amongst ESD actors. This inconsistent understanding was reportedly driven by a lack of government leadership and consultation. The implication

was that some corporates continued to implement B-BBEE and ESD as a grudge or compliance exercise. This possibly explained why compliance continued to emerge as the main rationale for the implementation of B-BBEE and ESD.

- ❖ The key enablers to ESD implementation that emerged from the current study were visionary leadership i.e., the ability to recognize the strategic linkages between national transformation imperatives and corporate strategy, and the adoption of the principles of shared value and co-creation. A conducive legislative and policy environment was identified as another key enabler to ESD implementation, with procurement buy-in identified as the most critical enabler. Adoption of a strategy-driven strategic framework to implement ESD emerged as a key enabler.
- ❖ The key barriers identified in this study included the legislative and compliance burden that was associated with B-BBEE, the lack of punitive measures to decisively deal with offenders who were unduly benefitting; lack of capacity amongst those tasked with the implementation of ESD; and lack of capacity amongst the beneficiary entities to meet corporate supply chain demands.
- ❖ Evidence of ESD as an inclusive innovation was evident from deliberate efforts by measured entities to incorporate beneficiary entities into corporate supply chains, and through visionary leaders embracing and practicing the principles of shared value and co-creation. The study highlighted the limited effort made by corporates to facilitate access to markets for beneficiary entities which may undermine the gains of ESD as an inclusive innovation.

The rest of this chapter expands on these findings and contextualizes these within the existing literature.

5.2. LEGISLATION AND COMPLIANCE NATURE OF B-BBEE (‘COMPLIANCE TRAP’)

This section discusses the implications and role of policy and legislation in the execution of ESD programmes aimed at integrating black-owned enterprises into the private sector and supply chains. The findings suggested that while compliance remained a major enabler and incentive for corporates to implement B-BBEE as a strategy, there was an emerging, deeper shift towards the role of strategy igniting transformation, values that were led by visionary leadership.

5.2.1. B-BBEE Legislation and “compliance trap”

There are several approaches available to encourage business in South Africa to share economic opportunities more broadly with black South Africans who were previously excluded from economic opportunities under apartheid. Over the last several years, there has been policy momentum in South Africa through B-BBEE to directly address issues of inequality and a fragmented social fabric. Corporate South Africa is incentivized under this legislation and its codes to:

- Invest in the development of its supply chain to favour the growth and expansion of black-owned enterprises;
- Employ a higher proportion of black people in upper levels of management.
- Transfer tangible assets to black communities and staff; and
- Change their ownership structures in favour of black management and equity holders (The Department of Trade and Industry, 2004).

In the South African landscape, B-BBEE is relegated to the social license to operate, and corporates are encouraged to embrace the spirit of B-BBEE, as a key enabler to do business with the government and public sector entities. Tangri and Southall (2008) suggest that the government has implemented BEE policies only moderately, due to the balancing act between achieving higher economic growth rates and deracializing the economy which had the potential to undermine economic growth. As a result, meeting B-BBEE compliance remained a significant motivation and incentive for corporations to establish a B-BBEE strategy.

This study highlighted that while B-BBEE policy implementation by corporates was driven by compliance, it came at a significant cost to the organisation. To an extent, B-BBEE investment was regarded as a “grudge purchase,” as corporations were expected to raise their B-BBEE rating level to remain competitive as suppliers for public sector projects and deals, hindering the successful implementation of B-BBEE.

The limited understanding of the rationale for B-BBEE inhibits its effective implementation, a finding that was evident in the literature and, reverberated in the current study. Five respondents were of the view that there was a general lack of deep understanding of the rationale behind B-BBEE laws and regulations. The lack of understanding of the legislation as a critical instrument for change was possibly the reason why some companies pursued B-BBEE and ESD as a tick-boxing or compliance exercise.

The demonstration of B-BBEE implementation as an imperative is a “message not delivered from the top” as was the view of one of the research participants (AT, Participant 4c a B-BBEE consultant). For several measured entities, it became a business imperative to be B-BBEE compliant because of the government’s lack of leadership in driving transformation. The biggest issue that this study highlighted was inconsistency in the way that the regulators were applying the rules. The sense was that the government should facilitate a coordinated response between itself and the private sector.

Policy clarity is critical, which requires a need for competent individuals and government to engage in and provide clarity on how to deal with some of the issues faced by policy implementers. Some respondents highlighted the need for standards related to the deployment and disclosure of B-BBEE transactions across the pillars (FMT – Participant 2C a B-BBEE consultant). The unfortunate outcome of the limited understanding of B-BBEE, and the varied perceptions of it among stakeholders, is non-uniformity in the execution of ESD initiatives, resulting in these initiatives being implemented for compliance and audit reporting.

While compliance remained an essential aspect in ESD adoption, the big-picture rationale for B-BBEE was starting to be understood as evident from the findings of this study. There was a strong sense amongst respondents that the B-BBEE legislative and policy environment provided an enabling environment for ESD implementation, the most critical enabler for implementing ESD, being procurement buy-in. While it is apparent that compliance and the need for competitiveness were the primary reasons for corporates in South Africa to implement ESD projects, the findings suggested an emerging shift towards transformation forming part of organizational strategic objectives.

Participants highlighted that a shift away from compliance will propel corporates going forward, to spend meaningfully in the economy as expressed below:

“As transformation leaders, it is our responsibility to drive the change in mindset within corporates and do it for the right reasons not just for compliance. The idea of B-BBEE was meant to be a temporary measure but because of the slow uptake by corporates resulting in how transformation managers have sold it, we simply gave it out as an instruction and didn’t sell it as the right thing to do. IP, Participant 3 (transformation manager).

5.2.2. Leadership and the relevant shift towards strategy and transformation values

The type of leadership and broad buy-in to Enterprise and Supplier Development initiatives were crucial factors that emerged from this study in driving the transformation agenda. The leadership approach was a decisive factor in the success of transformation initiatives, as it drove the vision beyond the numbers and bottom line returns. The study found that internal collaboration in terms of culture was critical. Visionary leadership as an enabler is potentially a novel contribution to the existing knowledge, as this did not emerge from the literature.

According to the current study, organisational factors have influenced the effective execution of ESD programmes, and leaders are demonstrating loyalty and shared value in their equitable alignment with the national transformation agenda. While all organisational factors matter, there was a significant difference between good and great implementation, and great implementation seemed to be associated with the leadership at the top. These types of leaders embrace B-BBEE as a social imperative and business goal, rather than a regulatory requirement. The findings suggested that the ability to align company vision and strategy to broad societal imperatives, and the ability to buy into the latter, could be the differentiator between impact and value at a business and societal level.

The current study demonstrated that within this environment, i.e., where management or executive management bought into strategy and supported its implementation, shared value was realized. As evident from this study, leaders who embraced shared value principles built symbiotic relationships with their customers and stakeholders and leveraged their market capital and social capital to drive social and economic impact.

The JSE-listed innovative mobile technology company (TLC) that was interviewed in this study has supported their business culture through a deliberate focus on the Bottom of the Pyramid (BoP) in their initiatives and has relied heavily on executive support for its B-BBEE initiatives.

Exemplary strategy is demonstrated by the way the transformation executive team is involved in the aspect of the business that deals with delivering products, services, and devices in the informal market; thereby building the community and increasing community support. Although some businesses in South Africa have begun implementing inclusive business models, some are using such models as part of a business-as-usual strategy (Genesis Analytics, 2014).

Transformation at TLC was about how they bridged the economic divide, and how they enabled that through technology. For TLC transformation meant bringing basic first-world products to an informal economy, allowing communities to access these services, and to become economically productive participants in the economy. This was meant to enable consistent and inclusive economic growth.

Six respondents in this study highlighted the imperative for businesses to incorporate B-BBEE into their business strategy. Evidence of steps towards this goal manifested in the form of financial assistance and active guidance on integrating SMMEs into corporate supply chains, as well as the effort to adhere to the government's transformation strategic objective. This transition was achieved through supplier development, which respondents identified as an important component in B-BBEE and ESD transitions.

There appeared to be contradictions between policy and practice which forced one to interrogate the role that measurement and evaluation played in B-BBEE. The following section interrogates this.

5.3 MONITORING & EVALUATION (M&E) FRAMEWORK AS ENABLER

The Seed Academy and Data Innovator (2016) noted that impact evaluation is still not a regular practice in Enterprise Development programmes and that a foundational set of norms for guiding it, was necessary. The Seed Academy further noted that monitoring, evaluation, and reporting were critical to the implementation of Enterprise Development programmes to measure the real impact of companies' investments. The lack of an M&E Framework to measure the impact of B-BBEE initiatives was also highlighted in the current study and may explain the occurrence and persistence of corrupt activities such as fronting and cronyism, as discussed in the literature.

While the government's legislative and transformation policy is sound, implementation has stalled. Because of a lack of monitoring methods and funding, organisations are attempting to

transform but are not truly transforming. Monitoring, evaluation, and reporting were considered key components of successful enterprise development programmes. It had the potential to improve South Africa's image as a global laboratory for supply-chain-driven impact investing (Seed Academy and Data Innovator 2016).

Respondents alluded to poor beneficiary selection as a barrier to M&E. According to Sibiya and Barnard (2020), the poor selection of ESD recipients made it difficult to measure impact, and the lack of an evaluation technique was considered a significant impediment to the success of Enterprise Development initiatives. Monitoring, assessment, and reporting were crucial to the implementation of Enterprise Development programmes, as echoed by the (Fröhlicher & Pothering, 2013).

According to the literature, despite progressive legislation and policy, impact evaluation was still not a regular practice in ED programmes (Pooe, 2016). The literature highlighted that the current methodologies prioritized readily available measurements over broad socio-economic impacts, resulting in a significant lack of understanding of Enterprise Development's efficacy in meeting B-BBEE imperatives. Implementers often evaluated the outcomes or impact of Enterprise Development programmes using simple indicators such as money spent, or jobs created. These “basic indicators” could potentially perpetuate the limitations and barriers in achieving inclusive ESD by maintaining “shallow” and basic M&E measures which are target-driven.

Fröhlicher and Pothering (2013) regarded the setting of baseline criteria for project evaluation as a good idea. When ED was implemented without an assessment technique, the internal learning process did not realize its full potential. Some stakeholders believed that a lack of monitoring and assessment procedures, as well as a lack of awareness of B-BBEE, exacerbated corrupt activities. While it remained critical to implement efficient M&E procedures, the audit-based aspect of M&E may divert attention away from the transitions and transformations that were occurring, such as strategic integration of ESD guided by visionary leadership, mindset, and values. Due to the sheer technical nature of B-BBEE, it is critical to analyse and question the role of monitoring and evaluation processes in ESD, as well as how M&E is developed.

Standardization of impact evaluation is required to ensure the effectiveness of Enterprise Development programmes. Corporate Enterprise Development executives acknowledged that effective assessment standards would be crucial in both making the case for it within their firms, and more precisely assessing impact (Fröhlicher, Pothering, 2013). While the literature suggested

the need for a core set of guiding norms to limit corruption and nepotism in B-BBEE (Fröhlicher, Pothering, 2013), the contrasting view was that this could perpetuate the perception and practice of B-BBEE as a compliance game. The burgeoning debate may be that M&E compliance will aggravate inequality and further entrench social exclusion and limited development.

According to Pooe (2016), despite the impressive policy and legislative frameworks, there remained a gap in terms of an implementation framework for ESD in South Africa. He asserted that buying firms needed to consider several factors to determine their readiness for ESD. These included identifying the reason for participating in ESD, i.e., building a credible case for ESD that extended beyond the need to comply with B-BBEE legislation, and to create job opportunities for the disadvantaged. Pooe's suggested implementation framework compliments (Fröhlicher & Pothering, 2013) recommendation on implementing ESD through an assessment method and setting of baseline criteria before the implementation of ESD programmes as a critical foundation to impact assessment (Fröhlicher & Pothering, 2013). A shift from M&E focus to developing an implementation framework could complement a strategic implementation of inclusive ESD. Could M&E divert attention away from mindset, leadership, and strategic ESD integration? Through this lens, praxis is developed.

5.4. APPLICATION IN THE DELIVERY OF SKILLS DEVELOPMENT

According to the literature (Fröhlicher & Pothering, 2013) and the current study, skills and supplier development are essential for the effective and long-term implementation of ESD activities. The skills development tools supplied to SMME beneficiaries in the form of business support, mentoring, and coaching emerged as crucial enablers in the implementation of ESD.

Furthermore, it has been observed that investment in business incubation and mentoring improved the skill set of SMME recipients (Nyandeni, 2018). Several respondents in the current study stressed the significance of developing suppliers for corporate value chains. Consistent with the existing literature, the current study found that supplier development was primarily carried out by corporations through skill development and mentorship initiatives aimed at previously disadvantaged individuals, as well as by strengthening technical skills through apprenticeships, artisan development, engineering training, and bursary programmes for engineers. The current study also highlighted supplier development as crucial to address corporates' negative perceptions of black suppliers as incompetent and lacking capacity, to facilitate improved access to the markets for them.

Corporates assisted beneficiary entities by providing training, incentivizing entrepreneurs to engage in positive behaviours, and linking them with other entrepreneurs. The initiatives for skills development differed depending on the company's transformation goal. However, in the case of South Africa, a lack of requisite skills and funding to effectively implement the government's development programmes hinders the country's ability to deliver on its vision (Kuljian, 2005; Swilling et al., 2004).

5.4.1. Internal Skills Gap

The NEP established in Malaysia between 1971 and 1991 influenced the South African Black Economic Empowerment Strategy (Tangi & Southall, 2008). However, there were disparities in economic policy that allowed the Malaysian model to outperform the others. The fundamental difference was that in the case of South Africa, little emphasis has been placed on the education and skill development of policy implementers, both of which were critical components of Malaysia's economic empowerment programme (Tangi & Southall, 2008).

Some respondents in the current study alluded to an internal skills gap within the organisation in terms of policy understanding and interpretation, resulting in varied consensus amongst decision makers. There was a sense of a lack of technical training in terms of the technical elements of the codes. Furthermore, the available BEE training and modules were considered too broad, only looking at education from a policy framework and audit lens. The sense was that it did not provide a comprehensive understanding of the regulations, and BEE methods in synergy with notable development concepts such as shared value, inclusive development, impact investing, and innovation. A participant pronounced that they had to educate themselves; and attended conferences and conducted studies to learn exactly what these regulations were since BEE is so broad (AMS, 2nd Participant a transformation manager).

Measured entities in South Africa require training and mentorship to implement ESD initiatives. The challenge encountered was the lack of adequate training for those in charge of ESD initiatives. The participants in the current study suggested the need to re-evaluate company activities and to re-align, train, and monitor employees to effectively implement ESD initiatives. Tanusia et al (2016) elaborate that to ensure the successful implementation of BEE, BEE implementers must have the requisite knowledge, skills, and competencies. Organisations were

missing out on the commercial links between transformation and business objectives. The lack of technical training made it hard to attract the diversity of skills, and the codes were difficult to understand. Nilsson's (2019) framing on Institutional Work is a significant interlock in the internal skills gap identified in the study.

Nilsson (2019) identified five dimensions that were crucial to the survival of an institution: roles, social identities, resource flows, authority procedures, and meanings. He noted that fully engaging in social innovation necessitated "disruption" and "re-imagination" in at least one of these aspects. Nilsson (2019) distinguished two types of role disruption in social innovation. The first entailing the creation of new roles within an existing institution by "valorizing" previously prohibited forms of knowledge. It might be argued that for effective B-BBEE or ESD implementation, there is a need for a "re-imagination" of the roles of Transformation Managers and B-BBEE consultants to address the need for skills capacitation within this sector, and a shift in the inclusivity and dynamism of the policy. Moreover, it is necessary to investigate the extent to which previously excluded individuals are filling these potentially new responsibilities which necessitate human resources and a prescribed skill set.

The current study highlighted the need for implementers with a different mindset that could appreciate B-BBEE, and ESD as a growth strategy rather than a tick-boxing exercise. It requires implementers that can package B-BBEE to produce value for the entire organisation, and fervently change the perspective of how companies do what they do in transformation. The concept of new role creation resonates with one of the key principles of B-BBEE, and by extension, ESD, which involves the inclusion of historically disadvantaged individuals and enterprises in the ownership, management, and control of the economy—an arena that was exclusively reserved for the white minority under Apartheid.

Despite what has worked for some organisations, the complexities in the areas of empowerment initiatives have been deemed ineffective by respondents. Therefore, corporates were perceived by respondents in this study as not fully involved with the right intention, focusing on shortcuts leading to policy failure in terms of meeting its purpose. The literature focuses primarily on the legislative implementation of B-BBEE and the need to upskill small businesses through supplier development initiatives. There is a scarcity of literature on the impact and role of knowledge and education for B-BBEE policy implementers.

5.5. SYMBIOTIC RELATIONSHIPS, CO-CREATION, AND ALTRUISM

The current study highlighted that targeted supplier development initiatives, strategies, and values contributed to the intentional and impactful delivery of B-BBEE. Evident in this study, B-BBEE has been incorporated into some companies' strategies by involving black-owned SMMEs and suppliers in their supply chains, and by developing their capacity as suppliers. Companies integrated suppliers from local communities into their supply chain for strategic reasons, rather than purely for the sake of complying with legislation.

5.5.1. Inclusive Supplier Development

Few respondents agreed to fund beneficiaries who were not part of their suppliers and expressed more interest in existing Black businesses than new ones. The effect of Apartheid is still evident however, this can be altered by providing fair opportunities to emerging black SMMEs. A respondent in this study advised that they used to have ESD initiatives that would only give black SMMEs R20,000 per month when White firms could get R200,000. This observation led to strategic change in the development of inclusive and intentional supplier development plans (AP, Participant 1 – a transformation manager).

Knowledge transfer and training were considered essential in the process of inclusive supplier development focusing on how organisations could create the economy from the ground up. This was evident with TLC which began to establish a pool of micro-enterprises as part of their transformation programme. They linked socio-economic programmes focusing on education and youth development by partnering with on-the-ground organisations that had social capital and influence in the community.

5.5.2. Co-creation in ESD

Nilsson proposed that social innovations not only increase system reflexivity by broadening the discussion around purpose, but they often increase dispersed agency through the structuring implications of the values they promote “(for example, whole personhood, democratic participation, co-responsibility for community and planetary stewardship, and co-creation of evolving institutions)” (Nilsson, 2019 pg. 296). Almost any type of meaningful work in a social innovation setting involves an ethical questioning of the current system's participation dynamics

and a shift toward a freer, more inclusive, and collaborative institutional field. The above paragraph asserts that co-creation is implied in Nilsson's institutional work (Nilsson, 2019), however, the links to co-creation in this current study, and the literature were limited.

In this study, co-creation was mostly executed through supplier development initiatives that deployed solutions in local communities, working with emerging entrepreneurs. We rarely see examples where the community was actively participating in developing the solutions with the corporate i.e., the study suggested a top-down approach where programmes were developed by corporate implementers at the top and calls for participation were made.

Heek's ladder of inclusive innovation revealed that ESD in the current context in South Africa had not yet caused a significant disruption in social practices and relationships that could drive social change. ESD and inclusive innovation are critical to the creation of a more robust and inclusive market with the specific goal of fostering SMMEs. Building symbiotic relationships is critical; this can be accomplished by industry establishing a symbiotic relationship between the Corporate and the recipient of ESD contributions. Successful economies have a symbiotic relationship between small and large businesses. DTIC are also working to ensure that large corporations not only buy goods and services from small businesses, but also help them with skills transfer, supplier development, and enterprise development. The study suggests that the approaches that facilitate access to markets should be included in co-creation, as these opportunities were limited, to non-existing as was highlighted in the current study.

Foster and Heeks (2015) defined inclusive innovation as a process by which marginalized groups are involved in the production of new goods and services for personal consumption and the market. Heeks identified the 'aspect' of innovation to include the excluded group as a challenge in inclusive innovation. According to Heeks et al. (2013), some felt that exclusion could be addressed exclusively through innovation outputs, and some believed that excluded people must be included in the innovation processes. This is congruent with Nilsson's (2019) claim that social innovation comprised collaborative learning, collective power, and co-creation (Heiskala, 2007).

Participants agreed that the development of SMMEs could result in direct access to markets and procurement opportunities, even though market access emerged as a bottleneck in the implementation of ESD programmes. It was suggested that the regulation to assist SMMEs in gaining market access be amended, and that the points be tied to actual market access rather than pure learning or training and skills development. The respondents revealed several examples where corporates made deliberate efforts to include SMMEs and disadvantaged communities in their business value chain. However, they reportedly had to take a leap of faith before they engaged any disadvantaged businesses due to corporates' lack of confidence in black-owned SMMEs.

Nilsson (2019) deconstructed Heeks' ladder of inclusive innovation, claiming that the first three stages (intention, consumption, and impact) represented inclusion that provided little or no agency to the target group of the innovation process. In contrast, he observed that the last three stages (process, structure, and post-structure) "are more agentic and leveraged, incorporating previously disadvantaged groups in institutional processes, strategies, and framings" (p. 4). The first three degrees of innovation, according to Nilsson (2019), rearranged the institutional system, whereas the last three disrupted and reconstructed the system at a more fundamental level.

While the current study found indications of co-creation, it was limited and required further development. The findings indicated that co-creation was accomplished through inclusive supplier development programmes, but we rarely saw examples of the community actively collaborating in developing solutions with the corporate. The findings suggested the need for corporates to develop trust in black supplier SMMEs capability to deliver. This was considered a crucial part of the co-creation process.

Co-creation contributed to the SMME's confidence, reassurance, and affirmation. The sense was that organisations should normalize purchasing from Black entrepreneurs and be confident in their ability to deliver. This study revealed that a lack of confidence in Black suppliers continued to deter their access to markets. This is consistent with the literature that identified rigid markets as a hindrance to the integration of the excluded into competitive industries (Altenburg, 2009).

In the journey to co-creation, organisations have had a few failed collaborations for every successful one. TLC has a devoted and strong purpose to collaborate with communities in promoting financial and digital inclusion in underserved markets. They assisted a local church to

become an SMME to generate additional money for the church. The lead churches became hubs and the various branches beneath them became SMMEs with devices that transacted with TLC products. TLC invested in the network by providing training and support, and initial working capital, to help the churches to begin to establish or improve their sustainability model.

5.6. CONCLUSION

The findings demonstrated the need for a clear and non-ambiguous B-BBEE law, and Codes of Good Practice to avoid and stop practices such as window dressing and corruption. A periodical review of the implementation of the B-BBEE Act and the impact on inclusive innovation are needed to avoid incessant changes in the Codes of Good Practices. Furthermore, it is imperative for corporates to incorporate B-BBEE into their business strategy. This was evident in the form of financial assistance and active guidance on how to integrate SMMEs into corporate supply chains.

While there was a strong push to meet the government's strategic agenda, there has been a substantial shift amongst some corporates toward incorporating B-BBEE into their corporate strategy for actual and real impact through supplier development. This shift in thinking has been embraced by visionary leaders who have bought into the national transformation imperatives and identified the strategic linkages with corporates' objectives. Some respondents argued that the corporates who had not yet embraced transformation, were those who lacked understanding of the objectives of the transformation imperatives. Respondents observed a leadership vacuum where government failed to foster transformation amongst all stakeholders. They asserted that the limited understanding, coupled with some corporates' goal to transact with the government, resulted in the implementation of B-BBEE and ESD as a compliance exercise. Consistent with the literature, compliance emerged as the main rationale for the implementation of ESD programmes. Consequently, compliance fuelled corrupt practices such as window dressing. The data revealed a high associated costs in the successful implementation of B-BBEE, including dedicated divisions and specific skillsets, and training was required to establish uniform understanding. The application of the regulations required improved cooperation between the commercial and public sectors.

The study suggested leadership buy-in at the highest levels as a requirement for transformative B-BBEE implementation. A clear indication of the positive function of visionary leadership that emerged from this study, was leaders embracing social and inclusive innovation principles of

shared value and co-creation. In this study, co-creation found expression through corporates' deliberate pursuit of symbiotic relationships with customers.

The study found indicative evidence of the practice of ESD as an inclusive innovation. This was evident through the deliberate efforts by corporates to develop suppliers for inclusion in their supply chains. However, the findings highlighted the need for more deliberate strategies to facilitate access to markets for beneficiary entities. Legislation emerged as an enabler to the successful implementation of inclusive ESD programmes where it was viewed holistically and beyond the confines of compliance. The findings emphasised the lack of disciplinary measures to hold corporates accountable where they unduly benefitted from B-BBEE. The following chapter presents conclusions and recommendations for practical application.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

There was a dearth of literature on ESD in South Africa given that it is a novel concept within this context. Furthermore, the literature highlighted the lack of insight into the implementation of ESD in this context and the enablers and barriers to implementation. This exploratory study has elicited several areas that enabled and limited South African companies from implementing inclusive enterprise and supplier development strategies and programmes. It has further provided insights into how ESD practically manifested as an inclusive innovation in South Africa, and the factors that constrained its application as entirely inclusive as per the definition of social innovation and inclusive innovation. This section highlights areas for further investigation and proposes practical recommendations for consideration by policymakers and programme implementers.

6.2 FUTURE RESEARCH

The study highlighted the need for further research into the leadership style that is required to shift the implementation of transformation imperatives from mere compliance to strategy that would result in true societal change. Transformation strategy played an important role in how B-BBEE was perceived and implemented by the transformation managers within organisations. The data revealed a significant need for training to achieve universal understanding of the transformation legislation and policies. This potentially highlights the need for a mixed-methods study to identify the specific skills gaps within organisations as it pertained to those tasked associated with the implementation of ESD.

Future research should include the perspectives of the beneficiaries to develop a nuanced understanding of the barriers and enablers to the implementation of inclusive ESD programmes. Research in this regard could consider the inclusion of the voices of government representatives tasked with managing transformation, amongst others, the Department of Trade and Industry, and the B-BBEE Commission to provide a composite picture of enablers and barriers.

Further research is required into the mechanisms by which monitoring, and evaluation contributed to the improved implementation of transformation imperatives as it emerged as a critical enabler to ESD implementation. The research highlighted the need for periodical assessment of the implementation of ESD initiatives, particularly the impact of ESD programmes, to assist advisors, government, and ESD practitioners in their respective roles for inclusive ESD programme delivery.

Despite the growing body of knowledge in Social Innovation and Inclusive Innovation, it appeared that the symbiotic relationship between the private sector and ESD beneficiaries on developing co-creative strategies on the deployment of ESD initiatives merits further investigation. The study also excluded the voices of SMMEs, i.e., the intended beneficiaries of ESD initiatives in South Africa, which may provide a potentially limiting picture of enablers and barriers to ESD implementation in South Africa. As a result, including SMMEs in future research is critical to developing comprehensive knowledge about this topic. Lastly, this study was exploratory rather than focused on a single sector, interviewing transformation managers from various sectors as well as B-BBEE consultants from financial services, telecommunications, and consumer goods companies. Future research could investigate enablers and barriers to ESD implementation by considering the contextual dynamics related to specific sectors.

6.3 RECOMMENDATIONS

The following are proposed as recommendations based on the findings of this research:

It is proposed that **B-BBEE be perceived as a social impact investment**. In this regard, B-BBEE should be positioned as a cost-effective and investment strategy for companies to drive growth this could possibly have a positive shift and change the perception of how companies implement ESD.

Furthermore, it is advised that **beneficiary selection be value chain aligned**. In terms of recruitment for ESD programmes, it is vital to look at beneficiary organisations (SMMEs) that are associated with the companies' value chain. To provide value for clients, it is ideal that a good working relationship with the ESD entities is achieved during the identification, screening, appointing, monitoring, and reporting processes.

The research highlighted the need for **strategic supply chain interventions**. Participants expressed concern that corporate South Africa's supply chains were non-strategic and not connected with business strategy, particularly for black-owned businesses. There is a need for this narrative to alter to achieve inclusive and sustainable ESD. The Legislation should contain a **provision for ESD recipients to gain market access** by earning bonus points for private sector participants. It is recommended that the regulations governing market access be amended to award points for actual market access. SMMEs should be supported throughout the process, not merely trained, and retrained.

Pooe (2016) presents a framework for ESD implementation in South Africa. The policy should ensure that ESD is aligned with business objectives and should build confidence in those involved since the ESD programme will be supported at the highest level. The research highlighted the need for **technology introduction and published reports** on ESD impact. Participants advised that an online portal be used to promote black-owned enterprises, stimulate the use of ESD funds, and produce periodic impact reports. The iHive online portal, for example, enables quick investment while encouraging people to refer five persons for future inclusion business ideas.

The research demonstrated that ESD was implemented more effectively by **corporates that embraced B-BBEE as part of company DNA**. Skills development is crucial to BEE policy implementation, and BEE should be inculcated in an organisation's growth plan. Supplier development should be integrated with company strategy, which can lead to improvements in lead times and delivery. There has been limited coverage of strategy and values in the ESD literature, hence this finding potentially presents a helpful way forward. Although the research highlighted the importance of leading by example, it is equally important to realize the significance of the organisation's effort. As a result of purposeful ESD planning, the fundamental elements for leading in ESD should be incentives, trust, co-creation and collaborative problem-solving.

The research suggested the need for **sybiotic relationships between the private sector and the government** on how the policy should be implemented, i.e., a consultative approach is necessary. There was misunderstanding of B-BBEE legislation and regulations, as well as an uneven interpretation of the Act. Improved coordination between the government and the private sector may result in more private sector participation. Co-creation in ESD implementation is essential for achieving higher, more transformative levels of inclusive

innovation as proposed by Heek's Inclusive Innovation Ladder, and Nilsson's Institutional Theory.

The research demonstrated the need for the **establishment of processes to obtain procurement buy-in**. Procurement is the most challenging task when it comes to ESD because of the buy-in process. Procurement buy-in is time-consuming as it requires a high level of convincing to do the right thing not just looking at the bottom line.

6.4 CONCLUSION

With thoughtful planning, Enterprise, and Supplier Development present an opportunity for organisations to have a strategic, and focused approach to achieving an inclusive transformation agenda that has a broader impact on society. This strategic approach could facilitate working with a larger community of like-minded stakeholders to achieve mission-aligned and impactful programmes, and act as a stimulus to leverage additional spending towards ESD.

This study provided insights into the partnership and collaboration activities among stakeholders toward the adoption of inclusive enterprise and supplier development, emphasizing the importance of a specific skill set to effectively facilitate transformation process and practices. Theoretical contributions, including Heek's ladder on Inclusive Innovation, and Nilsson's approach on Social Innovation as Institutional Work, significantly clarified the processes that were required for the adoption of inclusive enterprise and supplier development initiatives that could propel significant societal change. Similarly, training all actors involved in ESD, including policy and legislation developers, programme implementers, and the intended beneficiaries is crucial to driving inclusive innovation. Therefore, the importance of constant learning should not be overlooked.

This research added to the existing body of literature on how enterprise and supplier development initiatives could potentially trigger the execution of inclusive innovation by South African SMMEs. It demonstrated how transformation managers ensured that the B-BBEE criteria were reflected in ESD beneficiaries' involvement and performance. Training and support services, access to financing, leadership commitment, strategy, and values emerged as the main enabling factors in the implementation of ESD initiatives. However, support for ESD efforts should not be solely limited to funding but should include market access. Furthermore, the

government should review the B-BBEE policy and incorporate a penalty clause to avoid the practice of transformation imperatives as tick box exercises amongst corporates.

South Africa's National Development Plan sets out a much-needed vision of inclusive economic development for the country to be attained by 2030. Government plays a key role in facilitating these priorities to address the country's triple constraint of poverty, unemployment, and inequality. Civil society augments the vision through its contribution to practical implementation.

The results of this study illuminated specific grey areas for consideration by policy makers. The research revealed that while there is heavy reliance on compliance as a key motivator in the implementation of B-BBEE, there is an emerging shift in the role of visionary leaders that drove strategy and deep inclusive values in the deployment of intentional and purposeful transformation.

This study emphasized the importance of internal skillsets which were identified as a gap and barrier in the drive towards inclusive supply chains. ESD offered black entrepreneurs an ideal chance to have a more sustainable enterprise while playing a major role in socio-economic transformation and potential job creation. This research has great value for organisations as they prepare to implement ESD programmes and may assist them to unlock their long-term value by adopting a strategic approach to supplier relationships.

The reality is that most black enterprises are unable to compete effectively with corporate organisations due to a lack of skills, access to funds, market access, and collaboration capability, among other factors. In essence, access to funding is challenging, and strategic participation in corporate supply chains is difficult. While there were several gaps in the implementation of ESD projects, there was limited success in the co-creation and symbiotic relationship between the corporate sector and the intended ESD beneficiaries. The lack of an implementation strategy may constitute a barrier; however, there is a need for further research in this regard. Being a part of the right ESD programme could positively change the growth trajectory of an SMME.

The researcher, in her experience as an Inclusive Innovation specialist, observed that the nature of B-BBEE policy is entrenched in legislation and accompanied by the technicalities around implementation. In this study, addressing certain questions with respondents triggered emotional traumas and reality on the human experience in this process. Unequivocally in the

implementation and delivery of policy, the tendency is to get lost in the roles of key stakeholders and the compliance and audit nature of the legislation. In shifting away from the policy and regulatory lens, the research revealed angst amongst respondents about how B-BBEE is implemented, resulting in unintended consequences. Few of the respondents briefly addressed the issue of gender bias that continued to favour a limited quota of women in managerial and board positions as part of the outcome to achieve increasing participation of women in B-BBEE. However, some respondents were disgruntled by the practice of a few women being “recycled” by the system and favoured by being placed on numerous boards, limiting opportunities, inclusion, and “space” for further participation by a diverse group of black women.

The emergence of “bias” in B-BBEE relates to Freire’s *Pedagogy of the Oppressed*. He asserts that: “The oppressors do not favour promoting the community as a whole, but rather selected leaders” (Freire, 2014). The praxis of the study revealed that the compliance and M&E mindset in B-BBEE may discount some of these “real-life” experiences as stakeholders tended to get lost in legislation and evaluation processes, limiting the possible inclusion of beneficiaries.

This study contributed to the body of research on ESD but is limited in its conceptual discussion thereof. It revealed that the implementation of inclusive ESD required three essential elements—strategic leadership, funding, processes, and practices. The study contributes to knowledge on social and inclusive innovation as these topics originated in Europe and were still developing in the African context.

ANNEXURE A: INTERVIEW PROTOCOL FOR TRANSFORMATION MANAGERS

Interview Cover letter:

2019

Re: request your participation in a research project

Invitation to participate in the research project titled: How can enterprise and supplier development interventions, through private sector involvement help foster Inclusive innovation?

Dear Sir/Madam,

My name is Ntombezintle Raziya (RZYNT0001), and I am a Master of Philosophy in Inclusive Innovation student at the University of Cape Town Graduate School of Business. I am conducting a qualitative research study on ESD interventions and its role for inclusive business models. This research has been approved by the Commerce Faculty Ethics in Research Committee.

As part of my research study, I will be conducting interviews to gain further insight on the research question, to increase my understanding on ESD as a medium to further enhance participation and inclusion of SMEs for inclusive innovation within the private sector. As a key participant your knowledge and insight are highly valuable and your active participation in this industry will add significant considerations to the research study.

The interview is very informal and will be timed for a period of approximately 1 hour. All responses to questions will be kept confidential. A consent form will be signed by the interviewee to ensure your protection in participating in the research. Please note that there will be no form of compensation for participating in the research. All data collected through the interview will be treated with the strictest confidentiality. You will also have the option of remaining anonymous in which case all transcripts and reports will be appropriately coded to ensure that your request is fully respected. You will also be provided with the transcripts and research report if requested. I would greatly appreciate your participation in my research, upon your approval we will schedule a suitable date and time for the interview session based on your availability. Should you have any queries please feel free to contact me on zintleraziya@gmail.com

Thank you -

Ntombezintle Raziya (RZYNT0001)

Invitation to participate in the research project titled: How can enterprise and supplier development interventions, through private sector involvement help foster Inclusive innovation?

I, Ntombezintle Raziya request your participation in a research project the role of Enterprise and Supplier development as a catalyst for inclusive innovation. I am a Master of Philosophy research student at the University of Cape Town Graduate School of Business. Please initial the boxes below to confirm that you agree with each statement:

Consent Form for Interviews

Your participation in this study will consist of an interview lasting approximately one hour. You will be asked a series of questions about your insights on ESD and inclusive innovation. You are not required to answer the questions. You may pass on any question that makes you feel uncomfortable.

I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline.

I understand that my responses will be kept strictly confidential. I understand that my name will not be linked with the research materials and will not be identified or identifiable in the report or reports that result from the research without formal consent.

I agree for this interview to be tape-recorded and video recorded. I understand that the audio recording made of this interview will be used only for analysis and that extracts from the interview, from which I would not be personally identified, may be used in any conference presentation, report or journal article developed as a result of the research. I understand that no other use will be made of the recording without my written permission, and that no one outside the research team will be allowed access to the original recording. If you have any questions or concerns, please contact the researcher. However, in cases where it is required, some interviewees may be asked with written permission requesting to be named in the written report of the research.

I agree that my anonymised data will be kept for future research purposes such as publications related to this study after the completion of the study.

If you have any queries, please feel free to contact me on zintleraziya@gmail.com / +27825725107

I agree to take part in this interview.

Name of participant

Date

Signature

Principal Interviewer

Date

Signature

Interview Questions

Theme: ESD, Inclusive Innovation and SME development

Thank you very much for your willingness to cooperate and participate in this research, all your contributions are much appreciated and will add valuable knowledge and insight on how we could possibly reimagine Enterprise and Supplier Development.

Interview Questions:

Corporate Interview Protocol: (more concrete; objective, structural, experiential)

1. How does B-BBEE fit in with your current business strategy? What do you do around BBEE, how do you think about it - give me some examples. Also, around ESD?
2. What does transformation mean for your organization?
3. How is the organization driving the conversation of transformation? - tell me about a transformation project?
4. What do you think organizations are missing when it comes to transformation?
5. What has worked and what has failed in your estimation with the B-BBEE codes?
6. What is the value of your planned B-BBEE activities – (not just in terms of scorecard points, but also in terms of the long-term results that they will have for your business and industry)?
7. What are the limitations and efficacies of B-BBEE within your organization?
8. Are companies beginning to unpack and understand ESD?
9. Does your company consider ESD as part of your growth strategy?
10. What is the purpose of Enterprise and Supplier Development (ESD) for the organization?
11. Have you appointed a B-BBEE consultant? If so, have they been crucial in the implementation of your ESD initiatives?
12. How does your organization invest its ESD funds?
13. What's working / what's not working within the ESD space in your organization?
14. How does your organization measure ESD impact from the implemented ESD initiatives?
15. When reviewing your ESD spend, do you have a process in place to keep abreast of industry developments in this area?
16. What is your understanding of Inclusive Innovation?
17. How is the concept inclusive innovation understood within your organization?

ANNEXURE B: INTERVIEW PROTOCOL FOR B-BBEE CONSULTANTS

Re: request your participation in a research project

Invitation to participate in the research project titled: How can enterprise and supplier development interventions, through private sector involvement help foster Inclusive innovation?

Dear Sir/Madam,

My name is Ntombezintle Raziya (RZYNT0001), and I am a Master of Philosophy in Inclusive Innovation student at the University of Cape Town Graduate School of Business. I am conducting a qualitative research study on ESD interventions and its role for inclusive business models. This research has been approved by the Commerce Faculty Ethics in Research Committee.

As part of my research study, I will be conducting interviews to gain further insight on the research question, to increase my understanding on ESD as a medium to further enhance participation and inclusion of SME's for inclusive innovation within the private sector. As a key participant your knowledge and insight are highly valuable and your active participation in this industry will add significant considerations to the research study.

The interview is very informal and will be timed for a period of approximately 1 hour. All responses to questions will be kept confidential. A consent form will be signed by the interviewee to ensure your protection in participating in the research. Please note that there will be no form of compensation for participating in the research. All data collected through the interview will be treated with the strictest confidentiality. You will also have the option of remaining anonymous in which case all transcripts and reports will be appropriately coded to ensure that your request is fully respected. You will also be provided with the transcripts and research report if requested. I would greatly appreciate your participation in my research, upon your approval we will schedule a suitable date and time for the interview session based on your availability. Should you have any queries please feel free to contact me on

zintleraziya@gmail.com

Thank you -

Ntombezintle Raziya (RZYNT0001)

Invitation to participate in the research project titled: How can enterprise and supplier development interventions, through private sector involvement help foster Inclusive innovation?

I, Ntombezintle Raziya request your participation in a research project the role of Enterprise and Supplier development as a catalyst for inclusive innovation. I am a Master of Philosophy research student at the University of Cape Town Graduate School of Business. Please initial the boxes below to confirm that you agree with each statement:

Consent Form for Interviews

Your participation in this study will consist of an interview lasting approximately one hour. You will be asked a series of questions about your insights on ESD and inclusive innovation. You are not required to answer the questions. You may pass on any question that makes you feel uncomfortable.

I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without there being any negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline.

I understand that my responses will be kept strictly confidential. I understand that my name will not be linked with the research materials and will not be identified or identifiable in the report or reports that result from the research without formal consent.

I agree for this interview to be tape-recorded and video recorded. I understand that the audio recording made of this interview will be used only for analysis and that extracts from the interview, from which I would not be personally identified, may be used in any conference presentation, report or journal article developed as a result of the research. I understand that no other use will be made of the recording without my written permission, and that no one outside the research team will be allowed access to the original recording. If you have any questions or concerns, please contact the researcher. However, in cases where it is required, some interviewees may be asked with written permission requesting to be named in the written report of the research.

I agree that my anonymised data will be kept for future research purposes such as publications related to this study after the completion of the study.

If you have any queries, please feel free to contact me on zintleraziya@gmail.com / +27825725107

I agree to take part in this interview.

Name of participant

Date

Signature

Principal Interviewer

Date

Signature

Interview Questions

Theme: ESD, Inclusive Innovation and SME development

Thank you very much for your willingness to cooperate and participate in this research, all your contributions are much appreciated and will add valuable knowledge and insight on how we could possibly reimagine Enterprise and Supplier Development.

Interview Questions:

B-BBEE consultants:(few general B-BBEE and more ESD specific questions)

1. What are your views on B-BBEE?
2. Is B-BBEE a South African inclusive growth catalyst, or could it be?
3. What is the legislation / policy missing when it comes to transformation?
4. Please give me an example where the policy is working well?
5. Three wishes in this policy space and what are they?
6. If you were building this policy up from scratch, what would you change?
7. How will the amended codes benefit SME's?
8. What are your thoughts on ESD?
9. How do you ensure that ESD is part of company strategy and not a mere tick-boxing / compliance exercise?
10. How can ESD motivate companies to implement transformation effectively?
11. What do you think are the biggest impediments to adopting and implementing ESD for the private sector?
12. How do you communicate your ESD strategy to your corporates and ESD beneficiaries?
13. Do most companies have ESD plans/ strategies in place?
14. What tools do companies need to encourage the uptake of ESD funds?
15. How do you measure the impact of ESD for beneficiaries and corporates (funders)?
16. What do your corporate clients mostly enquire about with regards to their ESD investments?

Thank you very much for taking the time to answer my questions.

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