

## **COMPANIES NEED NOT REVERT TO B-BEEE FRONTING TO SECURE TENDERS**

Companies should not be compelled to adopt B-BEEE fronting to secure tenders as there are legitimate avenues to achieving the same result,” says Arnoux Maré, CEO of Innovative Solutions Group <sup>TM</sup>.

Maré says hundreds of tenders are awarded by government institutions every year. “The tenders are linked to strict B-BEEE compliance, which is a complex and onerous process which many companies prefer to avoid. This means missing out on potentially lucrative business opportunities or, alternatively, adopting the not-so-savoury measure of B-BBEE fronting to win tenders.”

Maré asserts that meeting B-BBEE compliance requirements has become increasingly complex, requiring that companies would enlist specialists to advise them on the correct procedures.

“A lack of knowledge can be detrimental, especially for small and medium enterprises. The complexity of B-BBEE codes makes it almost impractical for small and medium sized businesses to organise their scorecard returns and implement the strategy. By getting expert input, many companies can increase their rating, sometimes with minimal effort,” he continues.

Government has stated its intention to crack down on fronting by companies to enhance their B-BEEE status.

Fronting is defined in the amendment Bill to the Broad-Based Black Economic Empowerment Act as “a transaction, arrangement or other act or conduct that directly or indirectly undermines or frustrates the achievement of the objectives of this Act or the implementation of any of the provisions of this Act, including but not limited to practices in connection with a BBEE initiative.” Legislation introduced penalties for those found to be involved in fronting of a fine of up to 10% of turnover, or imprisonment for up to 10 years.

Towards the end of 2017, the Broad-Based Black Economic Empowerment Commission issued about 50 preliminary and final findings against companies for contraventions of the B-BBEE Act.

Maré says the Commission wants to ensure the ownership element of B-BBEE is being adequately and sustainably addressed. “At its core, the objective is to change ownership patterns within the South African economy, with a targeted minimum of 25.1% ownership. In some sectors and industries, however, this requirement is even higher.”

He adds that many companies waste valuable time and energy trying to avoid

compliance when they could be channelling that effort into improving their ratings. “They can achieve this by coordinating all B-BBEE related activities and ensuring every activity is captured and documented. In addition, they can implement innovative and inexpensive activities and train staff on how to continuously assist in improving the company’s ratings.”

Not only does the process enable compliance with B-BBEE regulations, but it can enhance business efficiency too.

“A good consultant will assist and educate clients on how to affordably integrate B-BBEE policies, social responsibility initiatives and enterprise development into their strategic vision. The objective should be to encourage sustainable business growth and social development among companies which strive for an improved rating, and which regard the B-BBEE process as an important economic objective for South Africa,” says Maré.

He adds that, more than ever, companies need to adopt B-BBEE practices as part of their business values.

“Organisations need to be values-based to survive. Values form the very foundation of their success. Businesses cannot simply pay lip service to the values they espouse. With increased pressure to be transparent, companies found to be B-BBEE fronting will put themselves on shaky footing with their stakeholders,” concludes Maré.

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