Transformation and B-BBEE Strategy
Development
Transformation may mean different things to different people. In essence transformation indicates change. This change can occur in various aspects for organisations including structure, product or services, diversity (race, age, gender, backgrounds) or simply doing things differently. Transformation Strategy development is about incorporating these aspects and specifically focusing on B-BBEE drivers and requirements.

In South Africa transformation is often driven by compliance considerations, however transformation can be seen as the catalyst to address SA’s socio economic problems and its associated impact on business. More and more organisations are embracing the notion that to remain relevant in a changing economy, a corporate transformation strategy is a fundamental requirement. It is also essential that such a strategy incorporates beyond compliance considerations including whether stakeholders perceive an organisation’s transformation effort to be impactful.

Alternative Prosperity considers transformation in its broader context. Several drivers are at play; social, economic, technological, legal and political amongst others. Risk management and interconnected complexity is forcing organisations to re-think and re-imagine the possibilities associated with Transformation. Transformation is most sustainable if it creates shared value.

In the South African context the legislative framework and guide for transformation is found in the B-BBEE Act and supporting Codes of Good Practice. We provide transformation services that supports our clients in developing a sustainable, business aligned, transformation strategy.

We have expertise and in-depth technical knowledge and experienced with the B-BBEE Amendment Act No 46 of 2013 and the generic and industry specific Codes Of Good Practice.

We understand the policy environment through engagement with; the DTI, the BEE commissioner, ABP (Association of BEE professionals) and sector councils. We also conduct transformation research that informs policy.

Our vision is to help shape organisations that contribute to a prosperous society.

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Entities are at various levels of maturity regarding Transformation. Being able to clearly define the depth of its corporate transformation aspiration is an imperative of organisations that want to prosper in this new reality.

**Transformation:**

**Is your organisation **Tip Toeing** or Marching?**

Tip Toeing:
- Minimum Compliance

Walking:
- Compliance
- Governance
- Engagement
- Innovation
- Transformation

Marching:
- Compliance
- Governance
- Engagement
- Innovation
- Transformation

Qualities and Aspects needed for successfully adopting and implementing a Transformation Strategy:

- **PURPOSE**
  - Understand the purpose of transformation

- **BASELINE**
  - Compliance driven
  - Competitive analysis
  - Industry pressures
  - Stakeholder perceptions

- **STRATEGY**
  - Objectives
  - Engagement Scenarios
  - Creating shared value

- **LEADERSHIP**
  - Mobilising change
  - Sustaining change

- **OVERSIGHT**
  - Governance
  - KPI's
  - Impact measurement
Alternative Prosperity focuses on the three: Sustainability, Responsible Investment (RI) and Transformation / B-BBEE Services.

Our Transformation / B-BBEE Products and Services include:

- B-BBEE baseline assessment and gap analysis
- Transformation strategy development & implementation support
- Maintenance: Scorecard calculation, analysis and verification support
- Fronting risk assessments & opinions
- Ownership structuring advice
- Black ownership through institutional investors
- Ownership analysis
- Setting up Broad-Based Ownership schemes

Transformation Drivers

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>DTI Sector Councils</td>
<td>Competitor performance</td>
</tr>
<tr>
<td>Amended BEE Codes</td>
<td>Business strategy</td>
</tr>
<tr>
<td>Budget/Resource constraints</td>
<td>Shared Value Opportunities</td>
</tr>
<tr>
<td></td>
<td>Industry specific policy and legislation</td>
</tr>
<tr>
<td>Uncertain policy environment</td>
<td>National development</td>
</tr>
<tr>
<td>Compliance</td>
<td>Stakeholder perception</td>
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<tr>
<td>Cost / Effort</td>
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All economic activity is by definition “high risk.” And defending yesterday - that is, not innovating - is far more risky than making tomorrow.

- Peter Drucker
South Africa is labouring to find its revolutionary path; the colours of the Rainbow Nation have difficulty blending together; the wealthy elites (white, black or Indian) profit from de facto segregation.

- Tariq Ramadan
The development of a proper transformation strategy is essential to accomplish change and create Shared Value. The strategy process should result in an action plan.

**Integrated Transformation Strategy Development**

**Contextualization**
- Agree detailed scope of work
- Knowledge sharing/training
- Project governance

**Establish the baseline**
- Scorecard/Gap analysis
- Competitor analysis
- Mapping transformation initiatives
- Establish internal and external stakeholder perceptions and expectations

**Defining transformation objectives and value drivers (definition of success)**
- Determine objectives and value drivers by aligning to:
  - Business objectives;
  - Material sustainability issues; and
  - Emerging trends/legislation in transformation

- Create Shared Value Opportunities

**Strategy formulation**
- Document, present and approve strategy
- High level implementation plan and governance

**Build strategic paths**
- Test preferred options with internal/external parties
- Select appropriate options
- Define the strategic paths
- Test preferred strategic paths with leadership

**Identify full range of possible options**
- Determine transformation focus areas
- Develop options for focus areas
- Analyse options against value drivers
- Test preferred options with leadership and stakeholders

A Transformation strategy should:
- be aligned to the overarching business strategy
- consider stakeholder’s expectations
- consider performance relative to peers
- be practical and the impact should be measurable
- determine the position and the impact of the organisation within its industry, its region and its country
- lead to added business benefits
- create Shared Value

**Integrated Transformation Strategy Development**
A Transformation strategy which flows from a baseline assessment, identifies strategic options to address issues and test possible scenarios. Strategic options are evaluated against certain drivers to determine the best in class options.

### Strategic Option Evaluation Matrix

<table>
<thead>
<tr>
<th></th>
<th>COST</th>
<th>EFFORT</th>
<th>COMPLIANCE CHALLENGE</th>
<th>ALIGN TO BUSINESS STRATEGY</th>
<th>STAKEHOLDER ALIGNMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No to low implementation cost to get to achievable compliance</td>
<td>No to low implementation effort to achieve required compliance</td>
<td>High level of compliance</td>
<td>High strategic alignment</td>
<td>High stakeholder alignment</td>
</tr>
<tr>
<td></td>
<td>Medium implementation cost to get to achievable compliance</td>
<td>Medium implementation effort to achieve required compliance</td>
<td>Medium level of compliance</td>
<td>Some strategic alignment</td>
<td>Some stakeholder alignment</td>
</tr>
<tr>
<td></td>
<td>High implementation cost to get to achievable compliance</td>
<td>High implementation effort to achieve required compliance</td>
<td>Low level of compliance</td>
<td>Strategic misalignment</td>
<td>Stakeholder misalignment</td>
</tr>
</tbody>
</table>

### Risk Reward Evaluation

- **COST**
  - No to low implementation cost to get to achievable compliance
  - Medium implementation cost to get to achievable compliance
  - High implementation cost to get to achievable compliance

- **EFFORT**
  - No to low implementation effort to achieve required compliance
  - Medium implementation effort to achieve required compliance
  - High implementation effort to achieve required compliance

- **COMPLIANCE CHALLENGE**
  - High level of compliance
  - Medium level of compliance
  - Low level of compliance

- **ALIGN TO BUSINESS STRATEGY**
  - High strategic alignment
  - Some strategic alignment
  - Strategic misalignment

- **STAKEHOLDER ALIGNMENT**
  - High stakeholder alignment
  - Some stakeholder alignment
  - Stakeholder misalignment

### Additional Spend-Effort ranking matrix to achieve points on B-BBEE scorecard

- **Strategy Impact:**
  - Spend and Effort analysis
  - Points under Socio Economic Development
  - Points under Ownership from existing ownership deal structure
  - Points under Skills Development
  - Points for disability programmes
  - Points under additional Socio-Economic Development spend
  - Points for Enterprise and Supplier Development
  - Bonus points under Management Development programmes
  - Points under Management Control
  - Net value points

- **Strategic Impact:**
  - Appointment of black female executives
  - Increase skills development spend through unlocking salary spend
  - Move spend to black owned suppliers
  - Points under additional Socio-Economic Development spend
The effective execution of a Transformation Strategy depends on a clear implementation plan and governance structure.

Upon request an Implementation Plan will be developed after the Transformation Strategy is delivered.

We provide implementation project management oversight services and manage the implementation process against agreed upon work streams and critical tasks.

As strategies require change we also support the change process.

Transformation Strategy Implementation & Governance

- Targets and Key performance indicators
- Implementation plan with governance structure
- Implementation project management oversight
- Measure performance against strategy (DASHBOARD)
- Mobilizing change Sustaining change

EVALUATE
We provide organisations with documentation and tools that will enable it to effectively implement a transformation strategy and monitor the performance.

The final strategy document is provided in digital format for easy access, distribution and continued reference.

**Deliverables**

- **Scope of work GANTT chart**
- **Baseline Assessment and Competitor Analysis**
- **Strategic Options and Evaluation**
- **Strategic Path**
- **Transformation Strategy**
- **Implementation Plan and Governance Structure**
Contact us and we will setup an initial interview, which will include a process overview. After the initial meeting, a proposal and scope of work will be provided.

The scope and content will be agreed upon with you before commencing work.

Alternative Prosperity provides a broad range of services and products relating to B-BBEE, Sustainability and Responsible Investment. We approach projects in small teams with each team member bringing particular strength to your project; from technical expertise to business innovation & creating shared value to project management.

We have a broad client base that spans numerous sectors and collectively have many years of experience in BEE, Sustainability, Law, Responsible Investment and CSI.

We are members of the Association for BEE professionals and signatories of the UN PRI.

For more information visit us online - www.alternativeprosperity.com