

Exploring black economic empowerment in the South African wine industry: A case study

Mr. Ngwako Sefoko*

PhD Candidate: Department of Management, Faculty of Applied Economics, University of Antwerp – University of Pretoria.
E-mail: moses.ngwakosefoko@ua.ac.be

Prof. Johan van Rooyen

Professor: Department of Agricultural Economics, Rural Development and Extension, University of Pretoria; CEO: South African Wine Industry Council.
E-mail: litta@sawinecouncil.co.za

Dr. Wim Janssens

Doctoral Assistant: Department of Marketing, Faculty of Applied Economics, University of Antwerp.
E-mail: wim.janssens@ua.ac.be

Prof. Frank Bostyn

Professor: Department of Management, Faculty of Applied Economics, University of Antwerp; Dean, University of Antwerp Management School (UAMS).
E-mail: frank.bostyn@ua.ac.be

Prof. Luc D'Haese

Professor: Department of Applied Biological Sciences, Institute of Development Policy and Management, University of Antwerp (IDPM).
E-mail: luc.dhaese@ua.ac.be

*Corresponding Author: Ngwako Sefoko, Tel.: 021 886 7295, Fax: 021 882 9510, E-mail: moses.ngwakosefoko@ua.ac.be. This paper is based on the project about the tension between equity and efficiency in socio-economic transformation initiatives, funded by the bilateral (joint) scientific co-operation programme between South-Africa and Belgium, and pursued by the Universities of Antwerp, Ghent and Pretoria. Constructive comments by Professor Johann Kirsten and Professor Nick Vink are greatly appreciated.

Exploring black economic empowerment in the South African wine industry: A case study

Executive summary

At a broader level, the key challenge of post-apartheid South Africa is to achieve a balance between equity and efficiency goals. At an operating (industry) level, this efficiency-equity link represents a key challenge for policy-making and implementation: it is therefore essential that convergence be sought between strategies towards improving both growth and equity. However, understanding black economic empowerment (BEE), as a frame of reference to the “growth with equity” strategy, in the context of the South African wine industry can be complex, particularly due to the industry's historical background.

This paper aims to explore BEE as defined by groups and individuals whose lives the very same programme intends to improve. It discusses the way in which empowerment in South Africa and the wine industry is viewed. Recent developments at policy and industry level are reviewed in order to situate the issue of perceptions at the farm level within a broader context. We apply a perception scale (EMPSCALE) developed in 2004 at the hand of a case study of a large wine and alcoholic beverage corporation. The results show consistency and demonstrate a similar pattern or trend with the original self-report scale. This signifies the reliability and practicality of the scale as a management tool to the already established objective measure of BEE.

Policy-makers and implementers would make use of objective and subjective responses from individual enterprises to re-engineer their policies and strategies. Numerous issues merit scrutiny: (i) whether practitioners believe that their programs are promoting empowerment for previously disadvantaged groups (PDGs) as intended and whether the PDGs of those programs agree - the operationalisation of gap analysis between verifiable matters and expectations, (ii) a similar analysis in other agricultural industries, notably the sugar industry (iii) analysing dynamics underlying strategic re-positioning of wine industry stakeholders, and (iv) a critical analysis of the wine charter as it relates to BEE in general.

Abstract

This paper aims to understand empowerment as defined by previously disadvantaged South Africans. The perception scale (EMPSCALE) developed in 2004 is applied to a large wine and alcoholic beverage corporation in order to assess its BEE perception levels. The findings are consistent and aligned with the original scale results. This shows reliability and potential practical use of the scale, as it appears to be relevant to the beneficiaries of empowerment policies. These results have policy, managerial, and practical implications for policy makers, practitioners, and employees, respectively. The black economic empowerment (BEE) focus should be expanded and aligned with the redistributive strategy.

Keywords: empowerment, perceptions, wine industry, objective and subjective

Introduction

Historically, there were policies that prevented black South Africans from participating in the mainstream economy; however, since the onset of the democratic state there are policies that encourage blacks to participate in the economy. Given the slavery, colonial, and apartheid history, the African National Congress (ANC) retained an aspiration towards the delivery of basic improvements to the poor, who are mainly black.¹ As part of its national agenda, the ANC's principal goals were to first, consolidate its control of the state (political transition), and second, 'transform' societal institutions and the economy (socio-economic transformation). These goals were to be pursued and gauged principally through the strategies of affirmative action and black economic empowerment (BEE). Such socio-economic reforms put poverty and inequality at the centre of their mandate. Therefore an assessment of progress to see how effective have such reforms been focus on the achievement of poverty alleviation and inequality reduction in a growing economy.

As part of providing justice and fairness, the apartheid regime has given way to the participation of the previously disadvantaged groups (PDGs)² in the mainstream economy and public life in general while seeking to grow the economy at the same time – “growth with equity.” The “growth with equity” strategy has been espoused as a social democratic interpretation of the South African government in a quest to strike a balance between growth and development goals. At a broader level, the key challenge of the post-apartheid South Africa is to achieve a balance between equity and efficiency goals. On one hand, the democratic government wishes to improve the quality of life of the majority of the population, on the other hand the country needs an efficient and internationally competitive economy. At an operating (industry) level, this efficiency-equity link represents a key challenge for policy-making and implementation: it is therefore essential that convergence be sought between growth and equity strategies towards improving both growth and equity. These goals were to simultaneously (i) increase global competitiveness, growth and profitability (ii) increase access and participation through an empowerment process, and (iii) enable sustainable resource management.

Nonetheless, Terreblanche (2002) posited that over the past 12 years in South Africa a democratic political system – controlled by an African elite – has been successfully institutionalised. Unfortunately, a parallel socio-economic transformation has not yet taken place. The documentation of the transformation process in terms of managing and monitoring the outcomes of such a process are the two integral components of our inquiry. Meanwhile, to achieve transformational objectives the use of a range of explored and unexplored BEE measures become essential – the role of measures in managing change. Therefore to assess policy goals of growth and equity, three main thrusts were clear, namely:

- a) To establish an analytical framework,
- b) An application of such models to the South African wine industry, and
- c) Their implications on policy and strategic development.

However, in search of analytical frameworks to operationalise and achieve such strategic goals, only the first goal of competitiveness has been explored. There since has been a debate over progress made on the social component that has been plagued by political, definition and

¹ The term 'Black' South Africans or previously disadvantaged groups refers to all non-whites in South Africa; with 'Africans' as indigenous people, 'Coloureds' as people of mixed decent, 'Indians' as Asians of Indian decent or birth, and 'whites' as white-skinned people mainly of European decent.

² The term previously disadvantaged groups (PDGs) is used interchangeably as the term 'Black.'

measurement problems. Hence, the rationale to inquire into the identification of areas that need to be taken into consideration with an ultimate purpose to curb potential disillusionment about progress on transformation. It is in this context that this paper explores transformation policies and strategies in South Africa.

To begin with, the paper discusses the context of empowerment in South Africa. Subsequently, it describes the historical background and the recent developments in the South African wine industry, most notably the Wine-BEE Charter and Scorecard in order to contextualise BEE in this industry. Despite what appears to be a considerable effort to construct transformation in the wine industry at the leadership level, the way in which it is performed and experienced at the enterprise level may be perceived radically different. The perceptions of BEE beneficiaries of feeling left behind by such a process may be beginning to surface. The methodology and its application to a case study are then outlined in order to identify potential explanations behind the perceptions and areas that need policy and managerial attention. This is followed by the conclusions and recommendations for future research.

Empowerment in South Africa

This paper reviews the process of transformation through institutional frameworks as well as race, class, gender, and spatial inequalities. At the policy level, the dominant statement of the government's objectives from 1994 was the Reconstruction and Development Programme (RDP), followed by the Growth, Employment and Redistribution (GEAR) strategy, the BEE policy, and then the Accelerated and Shared Growth Initiative of South Africa (ASGISA) strategy. Together, these commitments constituted the government's yardstick for socio-economic transformation. This paper focuses on the BEE policy as a frame of reference since it provides the context within which all of the above initiatives can be achieved.

There are three approaches towards understanding transformation and BEE. The first is the neo-liberal, private sector-driven approach. This approach puts emphasis on the reliance on markets, and power is transferred to the private sector to empower the poor. The market is empowered to offer opportunities to the poor. This is based on a strong belief that liberal market capitalism will provide the necessary 'trickle-down' effect. In principle, this approach narrowly focused on empowerment deals or transactions than on the broader features of transformation. In the process, adopting a minimalist view of replacing one elite (white) with another one (black) (Edigheji, 1999). In the agricultural environment, engaging systematically in the discussion about BEE also tended to focus narrowly on management control and ownership issues, especially of land. The GEAR and ASGISA strategies form part of this growth-oriented approach.

Secondly, there emerged a need for black people to direct and take charge of the new vision of BEE through the BEE Commission (BEECom). This radical democratic interpretation of transformation surfaced as the BEECom reserved an argument that the notion of true empowerment as defined by black people does not exist (Gqubule, 2006). Focus was redirected towards poverty alleviation and the economic transformation agenda in a broader context of economic development of the RDP. This was also aligned with the World Bank view of a maximalist, collective empowerment (Alsop, 2005). Power is transferred from the state to civil society. The main problem with this approach is that it is often difficult to translate its vision into viable alternative political and economic institutions at the national level let alone at the operating level. Often than not, benefits to the poor are unevenly shared. The RDP was the

dominant programme of change. Nonetheless, subjectivity and perceptions of PDGs were ignored as if they were a peripheral and relatively superficial socio-economic problem.

Thirdly, the Department of Trade and Industry (DTI)-led, social democratic interpretation emphasises that the dominant class interests are played out; either interests of the elite or those of the working class and its allies (Khosa, 2001). This approach as a useful alternative governance mechanism needs to be explored as it can propel the emergence of new social or lobby groups and interests. However, it calls a strong state to intervene in the economy whenever there is market failure. In South Africa, the National Empowerment Fund of 2004 and the transformation charter process form the larger part of this interpretation, and in particular, the recent discussion document on the progress of society.³

Empowerment studies have therefore been shaped by the history of the dualistic nature of the society and its economy. Studies concentrated on processes or approaches to BEE than on monitoring progress (see Ngqangweni and van Rooyen, 1998; Tregurtha and Karaan, 2001 among others). Although this was necessary at the beginning of BEE planning and the details of implementation, focus now needs to shift more towards the progress monitoring debate. However, in times assessment issues are addressed, focus has largely been on objective rather than subjective indicators, or both. The empowerment discourse became to reveal more about the individual making the change for another rather than about the experience of the one being affected by the very same change, or more appropriately both. Evidently, the nature and focus of the inquiry BEE ensures that the legacy of stereotypes lingers on to this day. For example, viewing the farm worker who is almost certainly black as a passive object and thus not graduating for any meaningful scrutiny about dynamic changes in his/her immediate life and socio-economic environment.

In the recent social democratic approach that saw the BEE Act 53 of 2003, government advocates BEE in terms of economic growth and makes it clear that future growth under gross racial inequality will only exacerbate matters. Thus, while the BEECom broadened the scope of BEE is to include poverty alleviation, rural development and land redistribution, the government has taken a narrower focus. However, it does acknowledge the importance of these areas. Not surprising, the ANC's December 2002 conference recommended that broad-based redistributive strategies such as land reform, job creation, prioritising government services, poverty alleviation and rural development should be separated from the narrow objective of increasing the participation, contribution and stake of blacks in the economy. Although this separation and focus may appear to make the BEE project more manageable and achievable, it created the minimalist and maximalist approaches towards BEE. This narrower understating of BEE enacted policies to bring about 'power over' and 'power to,' and less on 'power from within' through capacity building, education and enabling participation within communities (McEwan and Bek, 2006).

This merits the rethinking of the way in which BEE is conceptualised. BEE has been generally viewed as a social (institutional, external) or personal (individual, internal) issue irrespective of the diverse approaches towards achieving it (Eckersley, 2001). Given these two extreme interpretations of transformation, the broad-based BEE then sought to reconcile the minimalist and the maximalist approaches towards empowerment. Analytically, the objective BEE supposed to be supplemented with the subjective BEE. But this is not happening. The DTI's broad-based BEE definition is all well but in its wake it focuses exclusively and narrowly on

³ This document entitled "A Nation in the Making: A Discussion Document on Macro-Social Trends in South Africa" was prepared by the Policy Co-ordination and Advisory Services (PCAS) in 2006.

objectively verifiable matters. Changes and shifts in social relations (from being governed by paternalism to empowerment) represent mobility towards a specific state of well-being. Thus mobility replaces the commoditised nature of empowerment as the principle modality or state of being empowered. Moreover, Edigheji (1999) argued that the focus on both the minimalist and maximalist approaches is tantamount to a “genuine empowerment.” PDGs’ experiences should be acknowledged and incorporated into government policy so that practitioners are better positioned to promote empowerment initiatives that are relevant to the disadvantaged.

The context of BEE in the wine industry

Historical background and current challenges

The history of the wine industry is intricately linked with the social history of slavery. White farmers identified themselves as landowners, by so doing reduced farm workers to second-class human beings – power relations along racial lines. The legacy of such a history manifested itself in two ways: (i) the development of Kooperatiewe Wijnmakers Vereniging (KWV) and (ii) paternalistic social practices. KWV, as controlled by the powerful and conservative political voice, was an elaborate regulatory system that controlled all facets of wine economy from input supplies to wine trading. The paternalistic, authoritarian and racialised labour regime ensured that white farmers perceive black workers as minors to be taken care of at the hand of their white masters.

As a consequence, the wine industry had limited access of blacks to the skills, ownership and control of resources in the past. Practices such as the “Dop” system⁴ by white farmers on farm workers in order to keep them literally addicted to their jobs, distorted farming practices, and more damaging, has left an indelible legacy in the industry. In addition, the phasing out of farm schools among others contributed to the breakdown of social structures and labour relations, and to the negative perceptions (colonialist, elitist, racist, and conservative) of the industry’s image by the South African government and international investors and consumers (Weatherspoon *et al.*, 1999). Thus, labour relations and ethics issues are to be prioritised in the transformation process, as BEE is not only about efficiency, but also about equity (social stability and upliftment). Behind this background, BEE in the context of the wine industry should focus on reconciling political justice and the improvement of currently inefficient socio-economic structures; an equitable society based on a growing economy.

The historical account of the wine industry presents challenges that need to be confronted in order to successfully transform the industry. These range from farm attacks and evictions, the eradication of the *dop* system, the on-going market innovation process and competitiveness of the industry, the importance of being integrated into wine value chain, the vested interests in BEE initiatives, etc. Moreover, most of the developmental efforts that encouraged farmers to invest in the ‘development’ of their workers still cast workers as minors and therefore suppress their voices. The weak impact that unions made and the difficulty of the Coloured workers to articulate themselves as beneficiaries of BEE throughout the democratic transition period were viewed to be the main reasons behind such failures (Kruger *et al.*, 2006). Whatever the reason, the best way

⁴ Dop is the Afrikaans word for Tot. The ‘Dop system’ resulted from the payment in kind (mainly with alcohol beverages) by white farmers to their black workers. This development led to elements of alcoholism, domestic abuse, and HIV.

to overcome these challenges was envisioned by the industry to be vested in the support for human and social capital development, and business acumen and capital (or entrepreneurial development). This embodies fast-tracking BEE through BEE deals (e.g., Amfarms-consortium of investors, KWV-Phetogo, Distell-WIP Beverages, and so on), redistribution through branding (e.g., Thandi, Lindiwe, Winds of Change, and so on), and the Wine BEE Charter and Industry Scorecard.

Recent developments in the South African wine industry

The national agenda on transformation and the social democratic interpretation of transformation posed a challenge for sectors to adopt the charter process. Of all development sectors in South Africa the agricultural sector has been the least successful in meeting the original RDP targets through its land reform programme. The slow progress is attributable to a number of factors beyond the scope of this paper. Transformation in the South African wine industry has been envisioned through three main mechanisms: land reform, BEE transactions, and black wine brands. However, the embodiment of these strategies is vested in the charter and scorecard at the government, sector and industry level.

To achieve empowerment objectives legislations and policies such as the Land Reform Act 3 of 1996, the BEE Act 53 of 2003, and the AgriBEE Sector Charter and Scorecard of 2006 were instituted. The overarching reforms focused on sensitive issues of land, labour, and capital.

As a result, the prerequisite for the implementation of the Vision 2020 was an industry structure and leadership that represented all stakeholders in the wine industry. Thus, efforts towards BEE within the wine industry are primarily based on the preparation of the Wine-BEE Charter and the Wine Industry Scorecard as strategic frameworks to guide wine industry stakeholders to implement BEE (SA Wine Council, 2006). Karaan (2004) states that this development was driven by academic and communication research, the SAWB-SAWIT conference, the Vinpro initiative, the observation of BEE initiatives, and the Wine Industry Sector Plan (WIP). Research came up with baseline studies on BEE, BEE constructs, and BEE models, which the present study use to select case studies (Karaan, 2004; Kassier *et al.*, 2004; Janssens *et al.*, 2006). The Vinpro initiative, as a grape producer organisation, focused on the design of land reform models, financing mechanisms, and an inventory of BEE projects. The latter objective was aimed at assessing the nature, number and progress of BEE initiatives.

As a result two industry bodies, namely, the South African Wine and Brandy Company (SAWB)⁵ and the South African Wine Industry Trust (SAWIT) were tasked to jointly proceed with the planning and implementation of BEE, in particular, the drafting of the Wine-BEE Charter and Industry Scorecard. Therefore BEE management tools were viewed to play an integral part in the strategic development and transformation of the wine industry. The WIP envisioned four strategic goals to be achieved in alignment with the national and sectoral policies:

- a) Improving competitiveness
- b) Encouraging participation and social upliftment
- c) Resource and environmental management

⁵The SAWB, formed in 2002, is perceived to be the platform at which old and new interest groups negotiate for change. It therefore puts the debate on transformation and BEE in particular at the centre stage as part of integrating the Vision 2020 and Wine Industry Strategic Plan objectives. However, this industry body has since changed its name to the South African Wine Industry Council as part of the wine industry's restructuring process in mid-2006.

d) Alleviate alcohol abuse

Given that the agricultural and agribusiness sectors have been identified as priority sectors for BEE among other reforms; the South African wine industry has (through a representative “Consultative Conference on Black Economic Empowerment in the South African Wine Industry” on the 30th October 2003) reflected on the pressing issues and prospects. The industry has therefore identified five key success factors for achieving the above-mentioned strategic goals, namely, (i) promoting the ‘Brand South Africa’ brand, (ii) accelerating international distribution, (iii) making headway on the empowerment and transformation front, (iv) attracting more funding for research and development, and (v) improving skills of labourers and managers (Williamson and Wood, 2004). Particular attention is paid to empowerment and transformation as the driver of all other priorities.

The Wine Industry Charter. Johan van Rooyen, the CEO of the SA Wine Council highlighted that “the purpose of the Wine Industry Charter and Scorecard is to align and focus all sectors of the wine industry into coherent strategic activities, to create synergies within the industry and to provide a measurement of progress” (SAWB, 2004: p. 1). The Charter is informed by the new Broad-Based BEE Act 53 of 2003, the Liquor Act 59 of 2003, the WIP, Vision 2020, the Agricultural Strategic Plan, the AgriBEE process, Nedlac’s approach to sector strategy development and the discussions and inputs by the BEE conference delegates. The significance of the charter was cemented in the process of restructuring the wine industry. The details of it, however, still need to be discussed through a participative process pending the DTI Codes of Good Practice. New and further developments in this regard would be reviewed on a monthly basis by the WCSC. The WCSC’s representation is diverse as it includes academics, business, labour unions, and industry bodies. The SA Wine Council handed the final draft to the DTI for ratification by March 2007. Table 1 shows the BEE directive at the government, sector and industry level.

The effectiveness of the Wine-BEE Industry Scorecard (see table 1) will depend upon the robust implementation and monitoring systems (legislation and policy). The Broad-Based BEE Act 53 of 2003 mentions that the scorecard will facilitate the process of setting *measurable* targets, but it falls short to outline the reality of such targets. The Wine Charter Desk has been fully mandated and resourced to carryout this task in the wine industry.

Table 1: BEE scorecards that informed BEE the wine industry transformation agenda

Core component of BEE	Indicators	Government	Agri-BEE		Wine-BEE		
		Raw score	FEs ^a	NFEs ^b	General ^c	QSEs ^d	EMEs ^e
Direct empowerment score							
Ownership	% share of economic benefits	20	5	15	20 + 8 ^f	20 + 8	
Management or ownership control	% black persons in executive management and/ or executive board and board committees	10	10	10	5	20 + 2	
Human resource development and employment equity score							
Employment equity	Weighted employment equity analysis	10	5	10	10	20	
Skills development	Skills development expenditure as a proportion of total payroll	20	30	15	13 + 5	25	50
Indirect empowerment score							
Preferential procurement	Procurement from black-owned and empowered enterprises as a proportion of total procurement	20	5	5	20	20	
Enterprise development	Investment in black-owned and empowered enterprises as a proportion of total assets	10	30	25 + 15	10+1+7	10+1+7	
Residual							
Residual ^g	Indicators to determined by industry	10	15	5	15	15 20	50
Total		100	100	100	114	148	100

^a Farming enterprises

^b Non-farming enterprises

^c The scorecard applies to all organisations in the wine industry

^d Qualifying micro-enterprises

^e Exempted micro-enterprises

^f Bonus points gained by undertaking specific activities

^g The Land Reform and Rural Development component was added as a residual score for the wine industry

The development of an analytical framework

The dilemma of progress in South Africa is realised at the (i) macro level, where enforcement mechanisms contradict the voluntaristic nature of BEE, and (ii) micro level, where the debate about objective (BEE scorecard) versus subjective standards looms high.⁶ To this end, the South African wine industry's vision of BEE follows three main distinct characteristics of the developed and legislated BEE that are required (i) a definition of what empowerment means – what is it?, (ii) a clear and unambiguous categorisation of who should be empowered – whose empowerment?, and (iii) a set of national codes and industry targets for implementation, quantitative processes – how BEE is measured? (Pieterse, 2006).

The definition of what empowerment strives to achieve in South Africa epitomises its beneficiaries. BEE identifies blacks, the poor, black women, youth, and the disabled. However, this designated group needs to be further specified. The South African government through the DTI (2003, p. 12) defined its strategic empowerment framework as “an integrated and coherent socio-economic process that directly contributes to the *economic transformation* of South Africa and brings about significant *increases in the numbers of black people* that manage, own and control the country's economy, as well as significant *decreases in income inequalities*.” Evidently, BEE has been dominated by normative considerations of public policy in the form of objective indicators of progress. The application of these conventional measures not only depoliticises, but also desocialises the economy in line with the logic that separates the economic from the social. Kabeer's (1999) focus on grounding empowerment on objectively verifiable bases falls short of explaining the encompassing role of empowerment measurement. In addition, we need to measure changes in institutional and structural conditions.

To extend Kabeer's idea, Arthur Bentley (1908: p. 202) in Spector and Kitsuse (1973: p. 145) added that: “*if we can get our social life stated in terms of activity, and of nothing else, we have not indeed succeeded in measuring it, but we have at least reached the foundation upon which a coherent system of measurements can be built up. We shall cease to be blocked by the intervention of unmeasurable elements, which claim to be themselves the real causes of all that is happening, and which by their spook-like arbitrariness make impossible any progress toward dependable knowledge.*”

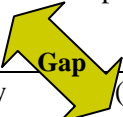
An attempt is made to develop and apply both objective and subjective criteria in order to define and measure progress on transformation. Veenhoven (2002) then identified a scheme on which the relationship between the objective and the subjective can be better and wholly conceptualised. He found that there are two dimensions of difference at play: (i) the difference in the substance matter measured and (ii) the difference in assessment method used (see table 2). On substance matter, objective indicators are concerned with things, which exist independent of subjective awareness. For instance, someone can be empowered in an objective sense, because s/he is counted as a beneficiary of a project by the employer, irrespective of his/her knowledge. Thus, the employer gives more weight to the objective condition even if the employee feels otherwise. On assessment methods, objective measurement is based on explicit criteria. For instance, empowerment can be measured by an increase in the number of people in specific activities or

² A similar argument has been provided by Mkandawire (2001) about the links between social and economic policy that it is “here we see the need for a better understanding of the link between the micro-level benefits of social policy and their implications for the macroeconomy, and vice versa” (p. 23).

ownership by percentage share of economic benefits. Given these operational definitions, any impartial observer will come to the same conclusion. Yet subjective measurement involves self-reports based on implicit criteria. A farm worker who reports to feel disempowered may have based that appraisal on many cues and may not be able to substantiate that appraisal.

Table 2: Configurations of objective-subjective differences

Substance	Assessment	
	Objective	Subjective
Objective	(E.g., actual BEE by increase in number of blacks in specific activities)	(E.g., actual wealth by perceived wealthiness)
Subjective	(E.g., quality of life by material standards)	(E.g., perceived BEE by perception of mobility)



Source: Reconstructed from Veenhoven (2002)

From Table 2 it is clear to see that empowerment is viewed both as an objective and subjective substance and assessment tool. The subjective definition of BEE has shown that empowerment is not only about sheer autonomy but also an expansion of choice. These two concepts are based not on the underlying psychological processes as envisioned, but on mobility as far as the beneficiaries of BEE are concerned (Janssens *et al.*, 2006). Mobility refers to the movement by specific entities towards a certain state of well-being over certain periods based on human agency (internal) and the opportunity structure they face (external) (Berhman, 1999).

An objective indicator in the form of the BEE scorecard as a general framework to guide sectors and companies to implement transformation strategies has been formulated at the policy level (see table 1). Behind the adoption of a social democratic interpretation of transformation, the charter approach towards BEE was fostered with individual sectors tasked to prepare their own charters and scorecards (DTI, 2003). The Wine-BEE Charter and Industry Scorecard are yet to be used to consistently monitor progress in order to effectively manage transformation.

This process has, however, been informed and complemented by the more subjective way of conceptualising empowerment – the development of a perceived BEE construct (Janssens *et al.*, 2006). This process was forged behind the need to examine what is happening at the farm level. The construction of such a concept primarily involved beneficiaries and potential beneficiaries of BEE through focus group discussions, surveys, group interviews, and brainstorming sessions with the wine industry leadership structure, business community and academics. PDGs’ views were profiled primarily to provide a ‘human face’ to the indicators used.

The final six dimensions of the scale:

- a) **Business ownership and control (BOC)**
= Ownership means to have something that belongs to you or your group with regard to business. Control means to have the power or authority to direct, order, manage or make business decisions.
- b) **Access to finance (ATF)**
= Access to finance (such as access to savings and credits) that makes it possible for you or your group to have better control over your finances.
- c) **Internal Employment and Human Resource Management (EMP_I)**
= This is about whether you are feeling empowered and feeling good in your job.
- d) **External Employment and Human Resource Management (EMP_E)**
= This is about whether you feeling satisfied and respected in your job.
- e) **Social capital/enabling environment (SOC)**
= Ability to access the social and/or economic structures and networks in your community and then use the knowledge gained and the contacts made to create new possibilities for your own economic initiatives.
- f) **Lobbying power and collective action (LOB)**
= The possibility to organise yourselves to enable you to defend and promote your interests at company and industry level.

Application of the framework in the wine industry

A profile of Distell Group Limited

The Distell Group Limited was created in 2000 by the merger between Stellenbosch Farmers' Winery (SFW) (1925) and Distillers Corporation (1945). In so doing, the companies became major creators of employment opportunities and wealth in South Africa. Distell Group Limited is South Africa's leading producer and marketer of fine wines, spirits and ready-to-drinks (RTDs). The Group is listed on Johannesburg Stock Exchange (JSE) Limited. Distell employs 4141 people and has an annual turnover in excess of R6.7 billion (\$935 million). Distell's key strengths are local market leadership, high brand awareness levels, an extensive distribution network, local market knowledge, strong trade relationships and the structural capacity to rapidly introduce new products across categories and channels. Distell is currently creating an international footprint in key markets in North and Latin America, Europe, Asia Pacific and Africa.

Amid all the developments in the liquor and wine industry, Distell strategically commissioned a perception analysis of empowerment in mid-2004 in order to comprehensively understand the phenomenon's enterprise dimensions. There were two sets of questionnaires bundled. One of them was the perceived BEE scale that we have already developed and needed to be applied. The results of such an analysis are reported hereunder. The report was compiled and distributed to Distell and they have used the report together with other baseline studies to channel their transformation agenda. As a result, a complete BEE transaction was first announced in September 2005, the details of which are beyond the scope of this paper. However, in summary transformation became a drive focus for Distell. The deal comprised a broad-based consortium of

Distell employees, a corporate social investment (CSI) trust and women’s empowerment group, WIPHOLD Distilleries and Wines Investments (Proprietary) Limited (WIPHOLD), that acquired an effective 15% investment in Distell *via* its wholly owned subsidiary South African Distilleries and Wines (SA) Limited (SADW). An Employee Share Ownership Plan (ESOP) holds 45% of the equity, WIPHOLD, a 40% stake, and the CSI Trust, representing disadvantaged communities in areas in which Distell operates, has a 15% interest.

Figure 1: Application of scale to a case study and all put together

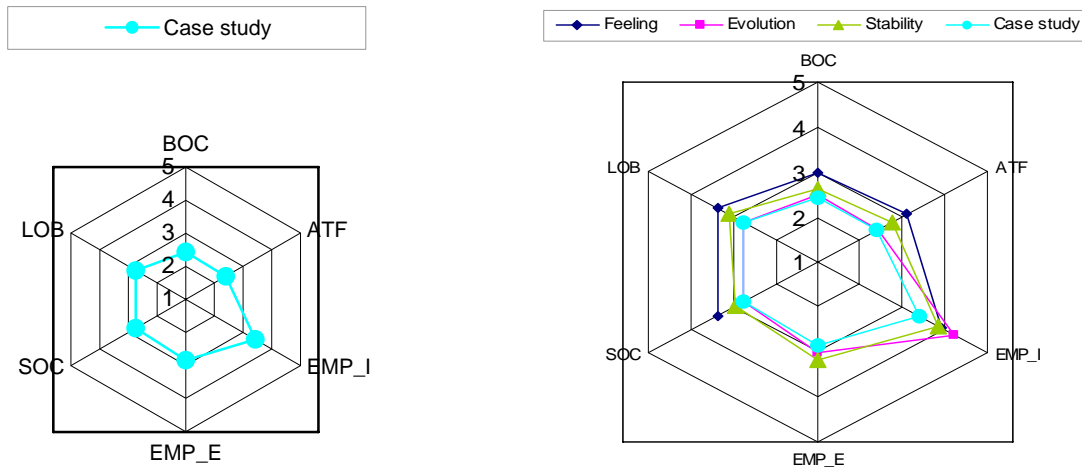


Figure 1 shows the results of the on-going research done in this area. The above dimensions were retained upon the scale’s ability to demonstrate essential scientific properties such as validity, reliability, stability and consistency. This was also the case with regard to the Distell case study. The consistency of the results was so compelling that the researchers saw it fit to begin to “roll-out” the scale in the wine industry at large. In a case study research setting, respondents displayed a generally low level of empowerment. Judging from the fairly low levels of feeling empowered as compared to the wine industry perception levels, Distell sought to improve this situation during the drafting process of its BEE deal. A total of 60% of the deal’s value went to the employees and surrounding communities and 40% to the empowerment of women.

Table 3: Means of constructs across several variables

Construct	Whole sample	Gender		Site*										Age				Work level*					
		Female	Male	DH	PR	PD	ND	PK	BK	JCL	GP	AT	LP	25 - 34	35 - 44	45 - 54	55 - 64	Grade 1-3	Grade 4-6	B4 - C1	C2 - C3	C4 - C5	D1 - D4
BOC	2.43	2.30	2.50	2.88	2.39	3.26	2.69	3.13	2.00	1.84	2.67	2.11	1.65	2.39	2.50	2.25	3.88	3.74	4.09	4.06	3.76	4.21	3.00
ATF	2.39	2.49	2.34	2.89	2.40	2.60	2.89	2.08	1.82	2.08	2.63	2.32	2.31	2.38	2.43	2.23	3.58	2.43	2.04	2.54	2.29	2.43	2.00
EMP_E	2.84	3.02	2.76	3.93	2.86	3.13	3.25	3.05	2.57	1.89	3.42	2.54	2.61	2.93	2.87	2.69	3.45	2.83	2.55	2.95	2.92	2.84	2.22
EMP_I	3.92	4.02	3.88	4.25	4.00	3.74	4.23	4.03	3.61	3.77	4.39	3.66	3.83	4.06	3.95	3.85	3.13	2.73	2.03	2.40	2.36	2.32	2.25
SOC	2.74	2.71	2.76	3.45	2.90	3.19	3.05	2.78	2.75	1.93	2.92	2.66	2.23	2.89	2.83	2.52	2.85	2.69	2.45	2.82	2.83	3.09	2.60
LOB	2.74	2.74	2.75	3.50	2.47	3.12	3.31	3.17	2.39	2.02	3.35	2.46	2.33	2.78	2.75	2.68	3.25	2.75	2.34	2.72	2.70	2.75	2.36
Average	2.84	2.88	2.83	3.48	2.84	3.17	3.24	3.04	2.52	2.26	3.23	2.63	2.49	2.91	2.89	2.70	3.36	2.86	2.58	2.92	2.81	2.94	2.41

DH – Durban Hills, PR – Parrow, PD – Plasir de Merle, ND – Nederburg, PK – Papkuilsfontein, BK – Bergkelder, JCL – JC Le Roux, GP – Green Point (Epping), AT – Adam Tas, LP – Libertas Parva.

- - Grey marked cells indicate a significant difference test between all groups (95% level, ANNOVA)
- General workers
 - Grade 1-3 and grade 4-6
- Support and Technical staff
 - B4-C1 and C2-C3
- Management
 - C4-C5 and D1-D4

Descriptive results

There are marked differences by the respondents at different sites. The recorded percentages are the significantly high scores of all sites together and at each site. Evidently, respondents at Epping have indicated a generally positive outlook over 90% of the items. This has also been validated by the BEE sessions held afterwards. JC Le Roux respondents on the other hand have a very gloomy view about BEE within Distell in both the survey and discussions. Papkuilsfontein and Plaisir de Merle seem to have a similar pattern of perception. This may be attributed to the fact that most employees in both the latter sites are at the farm worker level in farms/estates. Their outlook of the general world may be limited to their immediate environment, and they are more concerned about collective action and social capital issues than ownership and control issues as indicated by the rest of cellars, distilleries and headquarter-office employees as per expectation.

If the survey results are to be used on their own they may protrude to be trivial because people may not feel that they have expressed their change experiences sufficiently. Upon such a tentative hypothesis therefore, discussions were held with the respective groups to improve the reliability of the constructs and the quality of survey results in general. To avoid biasness, discussions were held after participants have filled-in the survey. On this front, both Bergkelder and Libertas Parva are much more negative about a range of issues than the survey results indicate. Otherwise, for the rest of the sites the two methods appear to be complementary to each other.

There are no significant differences in terms of gender, age and type of work. However, employees belonging to grade 1-3 and B4 – C1 have a closely related pattern of rating items than to the rest.

Discussion of results

It is evident from table 3 that social issues of employment relations and social capital/enabling environment are not only important for workers, but are also prerequisites for economic objectives of access to finance and business ownership and control. This is because there are lower scores for BOC and ATF; indicating a downward mobility in these aspects. This may also indicate a gap in terms of knowledge and skills that have to be acquired to facilitate the empowerment process. Thus, building social capital and improving on employment (employer-employee) relations is recommended for Distell management as the first step toward the process of empowering its employees.

At a personal level, key feelings, perceptions, and experiences, expressed by participants at Distell's various subsidiaries are categorised hereunder. Participants expressed feelings of resentment, disappointment, and powerlessness. Participants' experiences were recorded under seven main components of the change process as follows:⁷

- a) Meaning
- b) Goals
- c) Benefits and costs
- d) Process/practices/strategies
- e) Relations
- f) Progress

⁷ More details of the field notes taken during the discussions are provided in [Appendix A] at the end of the report.

g) Management and prospects

The above-mentioned components were developed during the process of conducting the survey in order to assist with additional explanations and cues behind the ratings as a form of triangulating the survey scores themselves.

Descriptive accounts revealed that communication is the biggest problem of them all. The account of personal experiences serves to augment the survey results. Given the size of the company, corporate culture rather than industry and government policy developments, played an important role in respondents’ experiences with empowerment. It is important for Distell to continuously consult with human resource managers at respective sites to craft ways to have a general strategy, and also to manage each empowerment project in accordance with the nature of the site.

Table 4: The description of dimensions of BEE in the wine industry

Attribute	Objective measure		Subjective measure
<i>Sources</i>	Stakeholder consultation and DTI codes of good practice (2003-2006)		Empowerment literature, focus groups and brainstorming sessions with wine industry experts (2003-2006)
<i>Components</i>	Direct BEE	BEE ownership (BOO)	Business ownership and control (BOC)
		BEE control (BCC)	Access to financial resources (ATF)
	HRM	Skills development (SDV)	Internal employment and HRM (EMP_I)
		Employment equity (EME)	External employment and HRM (EMP_E)
	Indirect BEE	Enterprise development (ETD)	Social capital/Enabling environment (SOC)
		Affirmative procurement (AFP)	Collective action and lobbying power (LOB)
Residual	Poverty and Rural Development		

Table 4 contrasts the final, valid and reliable objective and subjective dimensions that were developed since 2003. Our stance is not to choose one measure over the other, but we contend that both measures are necessary, as each measure explains a specific aspect of the phenomenon (Behn, 2003). Therefore, we do not strive for conceptual alignment but ascribe to Annett’s (2002) assertion that the selection of a measure should not be based on whether the measure is “objective” or “subjective,” rather on the relevance of the measure to the experience of the participants. In our case, subjective indicators are constructed from the responses of employees who are surveyed about their experiences and perceptions, whereas, objective indicators are constructed as wine industry guidelines. The quest is to find ways in which the two indicators can complement each other in the management of change (Moller and Dickow, 2002).

Implications

Theory and research

Theoretically, it is expected that this study would (re)-conceptualise and clarify empowerment as a mobility concept and as a transformation-based policy. Multiple perspectives all converge in

their respective ways on arguing for or against progress differences and their governance. The promotion of rigorous and systematic approach, and the integration of quantitative and qualitative approaches bolsters the results the investigation.

Policy and practice

Policy-makers would make use of objective and subjective responses from individuals and individual enterprises at the operating level to re-evaluate and re-engineer their policies.

Industry strategic bodies (SA Wine Industry Council and SAWIT). Since the components determined, and weights and targets set by the WCSC are subject to final approval and changes pending pilot studies and inputs from various stakeholders, the knowledge of priority areas that are perceived to be empowering by the persons involved and affected by the changes that the WCSC endeavours to make should be identified and addressed accordingly. The failure to properly and rigorously assess progress made on transformation can put the wine industry's transformation agenda in disrepute. This research was included in workshop proceedings of 25 sessions in 2005. The results were then incorporated in the Wine-BEE Charter and Scorecard in the Poverty and Rural Development component.

Participating groups (growers, cellars, unions, civil society, NGOs, and other lobby groups). Leaders and lobbyists within such organisations would make use of their members' (employers, employees alike) to align their strategic positions on BEE in order to better serve their members. Such an alignment would be informed by (i) defining progress, (ii) determining the scope for change, and (iii) the readiness and capacity to undertake reform

Participating enterprises (cellars, farms, and wine estates). A wine entity would use the BEE tools to periodically monitor its progress on BEE on each dimension and overall (internal) as compared to competitors (external) in order to improve its BEE status. Employers and BEE implementers would make use of the results to re-engineer their strategies. Individuals on the other hand are perceived to attach meaning and value to the tools they use by developing an understanding of organisational goals, policies affecting them, and to some extent their roles and responsibilities within organisations they work for. Distell made use of the EMPSCALE to strategise about their transformation agenda, most notably the design and implementation of their first ever BEE deal of 2005.

Conclusion

This paper has painted a picture of the context in which BEE strategies are being developed in the South African wine industry. On the one hand, the potential for the implementation of these strategies has improved: the policy shifts throughout the first 12 years of democracy have provided a significant window of opportunity into which transformation strategies were not only considered but formed the integral part to coalesce the rest of change strategies moving forward. Notwithstanding the favourable policy climate, the economic and institutional context contains certain impediments to the implementation of the transformation mechanisms. One prominent area is the issue of separating the BEE focus and the redistributive strategies in the process of formulating and implementing transformation strategies.

This paper has tentatively demonstrated that the ignorance of perceptions of the value system may be diverting analysis from reality. When asked about the state of being empowered, BEE beneficiaries refer to the very same redistributive elements that have been deliberately separated from the BEE discourse and machinery. We therefore conclude that for a comprehensive BEE programme the BEE focus needs to be expanded and aligned with the more redistributive strategy. The institutional weakness of the charter process, regulatory and governing agencies means that much will be left to individual industries to assess their own progress. In this context, empowerment strategies that take advantage of prevailing political support for improvements in the living conditions of the PDGs are most likely to succeed. To the extent that such strategies deliver tangible benefits to the poor, they must also endure the intense competition for investment resources, political support and widespread acceptance. That they display favourable economic returns in the long-term is essential, but without contributing to the more immediate and pressing developmental needs, it is hard to see how they can be anywhere close to the top of the agenda of priorities for government and industry stakeholders. On this note, McEwan and Bek (2006) argued that it is also imperative that power is identified more in terms of the capacity of PDGs to improve their own self-reliance, the right to determine choices in life and to gain control over crucial resources.

The Distell case study has maintained consistency by generating a similar pattern to the original results of the EMPSCALE as a management tool. This finding is crucial for the “rolling-out” of the scale in the wine industry at large.

Moreover, care should be taken for the settings under which the scale is applied. This renders possibilities to adapt the scale in other agricultural industries. In order to entrench the usefulness of such a scale, an independent verification is required. The South African sugar industry is therefore suggested to be a proper sector for the application of such a scale because of its unique dynamics and challenges, provincial specification, level of transformation, etc. The quest is to get all sugar industry stakeholders actively involved in refining and administering the perception scale across the sugar value chain as part of their conscious strategic process towards transforming the industry.

Future research areas

On-going research focuses on the gap analysis between expectations and verifiable matters:

- a) Establish analytical tools to identify, prioritise, and close gaps
- b) Identify and prioritise gaps
- c) Develop strategies to close the gaps
- d) Provide for the sustainability or consistency in narrowing such gaps. It needs to be defined as to what sustainability of such a management process is. An external mechanism to inform the wine industry on these issues will also provide credibility in the management system.

Future research developments should focus on: (i) assessing gaps in other agricultural industries, (ii) analysing the dynamics underlying strategic repositioning of role-players in the wine industry, and (iii) a critical analysis of the Wine-BEE Charter as it relates to BEE in general.

References

- Alsop, R. (2005). Empowerment: If it matters, how do we measure it? Paper presented at an international conference: *"The Many Dimensions of Poverty,"* 29-31 August, Carlton Hotel, Brasilia, Brazil.
- Annett, J. (2002). Subjective rating scales: Science or art? *Ergonomics*, 45 (14), (Target paper): 966-987.
- Behn, R.D. (2003). Why measure performance? Different purposes require different measures. *Public Administration Review*, 63 (5): 586-606.
- Behrman, J.R. (1999). Social mobility: Concepts and measurement. In Birdsall, N and Graham, C. (eds.), *New Markets, New Opportunities? Economic and Social Mobility in a Changing World*, Brookings Institution Press, Washington D.C, pp. 69-100.
- Bromley, D.W. (1985). Resources and economic development: An institutional perspective. *Journal of Economic Issues* XIX(3): 779-796.
- DTI (2003). *South Africa's economic transformation: A strategy for broad-based black economic empowerment*. The Department of Trade and Industry, Pretoria, South Africa.
- Eckersley, R. (2001). The mixed blessings of material progress: Diminishing returns in the pursuit of happiness. *Journal of Happiness Studies*, 1: 267-292.
- Edigheji, O.E. (1999). Rethinking black economic empowerment in the post-apartheid South Africa. Paper presented at the *TIPS 1999 Annual Forum*, Glenburn Lodge, Muldersdrift, 19-22 September.
- Gqubule, D. (ed.) (2006). *Making Mistakes, Writing Wrongs: Insights into Black Economic Empowerment*. Johannesburg and Cape Town: Jonathan Ball Publishers (Pty) Ltd.
- Janssens, W, Sefoko, N., van Rooyen, J., and Bostyn, F. (2006). Measuring perceived black economic empowerment: The case of South African wine industry. *Agrekon*, 45 (4): 381-405.
- Kabeer, N. (1999). The conditions and consequences of choice: Reflections on the measurement of women's empowerment. *UNRISD Discussion Paper*, no. 108.
- Karaan, A.S.M. (2004b). Overview of BEE initiatives in the wine industry. Paper presented on 26 July at the Launch of AgriBEE, East London.
- Kassier, E., Cherry, M., Vink, N., and van Rooyen, C.J. (2004). Black economic empowerment in the wine industry. Paper presented at the 42nd *Agricultural Economics Association of South Africa Conference*, 21-23 September, Lord Charles Hotel, Somerset West, South Africa.
- Khosa M.M. (ed.) (2001). *Empowerment Through Economic Transformation*. Human Sciences Research Council: Pretoria, South Africa.
- Kruger, S., Du Toit, A. & Ponte, S. (2006). De-racialising exploitation: 'Black economic empowerment' in the South African wine sector. DIIS Working Paper No. 2006/34, Danish Institute for International Studies.
- Mkandawire, T. (2001). Social policy in a development context. Social Policy and Development Programme Paper No. 7, United Nations Research Institute for Social Development.
- McEwan, C and Bek, D. (2006). (Re)politicizing empowerment: Lessons from the South African wine industry. *Geoforum*, 37: 1201-1034.
- Moller, V and Dickow, H. (2002). The role of quality of life surveys in managing change in democratic transitions: The South African case. *Social Indicators Research*, 58 (1-3): 267-292.

- Ngqangweni, S and van Rooyen, C.J. (1998). Equity-sharing schemes as an alternative mechanism for agricultural transformation. In J.F. Kirsten, N. Vink, J. van Zyl (eds.), *Agricultural Democratisation in South Africa*, AIPA/Francolin Publishers, Pretoria, South Africa, pp.110-119.
- Pieterse, G. (2006). 'How the story should be told...' *WineLand Magazine*, July: p. 46.
- SAWB (2004). Wine industry players give unanimous support to transformation charter. South African Wine & Brandy Company Media release, April 2004.
- South African Wine Industry Council (2006). *The Wine-BEE Charter and Industry Scorecard: A Consultative Draft*. Available on-line at: (<http://www.sawb.co.za/docs/> visited on the 17th March 2006.
- Terreblanche S. (2002). *A History of Inequality in South Africa (1652-2002)*. University of Natal Press, Pietermaritzburg.
- Tregurtha, N and Karaan, ASM. (2001). Farm worker equity schemes in the Western Cape. Unpublished Report for the Western Cape Department of Land Affairs, Cape Town.
- Veenhoven, R. (2002). Why social policy needs subjective indicators? *Social Indicators Research*, 58 (1-3): 33-45.
- Weatherspoon, D.D, Alade, J.A. & Danley, C. (1999). Emerging business: The South African wine industry case. Staff paper No. 99-54, Department of Agricultural Economics, Michigan State University.
- Williamson, K. & Wood, E. (2004). The dynamics of the South African wine cluster: A basis for innovation and competitiveness? Unpublished MBA thesis, Graduate School of Business, University of Cape Town.