



Gestalt Growth Strategies (Pty) Ltd

RPA Centre, Top Floor, 116 – 5TH Avenue, Fariland. Randburg.

PO Box 4425, Randburg, 2125, South Africa

Tel: +2711 482 9967|Fax: +2711 482 8041

info@gestaltconsult.com www.gestaltconsult.com

How to Lose Your Business in 10 Ways

The dos and don'ts of BBBEE.

Kate Hudson and Matthew McConaughey taught us that it is possible to lose a guy in 10 days. This article considers the 10 bad BEE practices that could result in losing one's business in 10 ways.

1. Don't front.

This refers to any form of **BEE misrepresentation** in the broadest sense of the word – the dti defines fronting as “a deliberate circumvention or attempted circumvention of the B-BBEE Act and the associated Codes”.

The advice here is simple, do not try to 'buy' colour, it will backfire.

2. Don't commit fraud.

Consider the recent incident (Moneyweb, 09 May 2013) where the JSE listed company Nu-World had supplied a major client a doctored BEE certificate, claiming a level six in 2012 when they had not been audited in that year.

Despite Nu-World's claims of it being an honest mistake, the story was picked up in the media and has tainted the company's image. It begs the question, if you lie about your BEE level, what else are you lying about?

3. Don't lie to your staff.

Many companies institute an employee share scheme in order to boost their BEE credentials.

However, if this is done without the true intention of actually empowering them, i.e. refusal to have them access the dividends yielded by the scheme, it is the business equivalent of stealing from them.



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In BEE verification circles this practice is known as Benefit Diversion and can land a business in serious trouble.

4. Don't expect your staff to lie for you.

All too often, business ethics often do not extend to BEE. It is astounding how many companies ask their staff to lie about the level of training received or responsibility within the business.

The irony is that this same staff member will be threatened for dismissal for lying about sick leave.

5. Don't window-dress.

What companies do not realise is that verification agencies deal with 'window-dressing' every day. In most cases, you can see it a mile away.

A director who is incapable of reading a business' audited financial statements is clearly incapable of understanding or executing his or her fiduciary duties.

Basically, having an account with Foschini's for a fancy suit is not a sufficient substitute for a financial qualification for any business.

6. Don't lie to your verification agency.

Companies may get away with misrepresenting their BEE status to their verification agency – but it will backfire if a competitor blows the whistle on them. The soon to be set-up BEE commission will be eager to demonstrate some success to cement their role as a BEE watchdog.

7. Don't make promises you can't keep.

If you cannot comply, be honest about it. Your verification agency can assist you in identifying shortcomings in your compliance, but you may need a reputable consultant to assist with developing a plan that will allow you to put your money where your mouth is – honestly and fairly.

8. Don't think that transformation is a fad that will blow over.



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BEE is going nowhere. BEE is in fact becoming more entrenched with Draft BEE Codes being proposed to further regulate the implementation and enforcement of BEE in business.

BEE is here to stay, use it to your advantage and do not let it sink your business.

9. Don't consider BEE as a threat and a tax to your business.

Implemented correctly and matched closely to the business's strategic objectives, BEE can help grow the company and give access to a myriad of business opportunities.

BEE is geared to provide opportunities to companies that have embraced and integrated BEE into their business and can be a huge strategic and marketing asset to the company.

10. Don't resent your client when they ask for your BEE certificate.

While companies seem to understand that their clients require a good product or service at a good price, they are astounded when they require a BEE certificate in order to do business with them.

BEE is an essential ingredient to doing, and remaining in, business in South Africa – why ignore it or resent it? Rather let it work for you.