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Engeli Group Quarterly Newsletter

ENGELI

GROUP OF COMPANIES

TRANSFORMING TIMES

The Quarterly Engeli Group Newsletter

In This Issue:

Equipping Youth to Navigate Their way out of the Poverty Trap

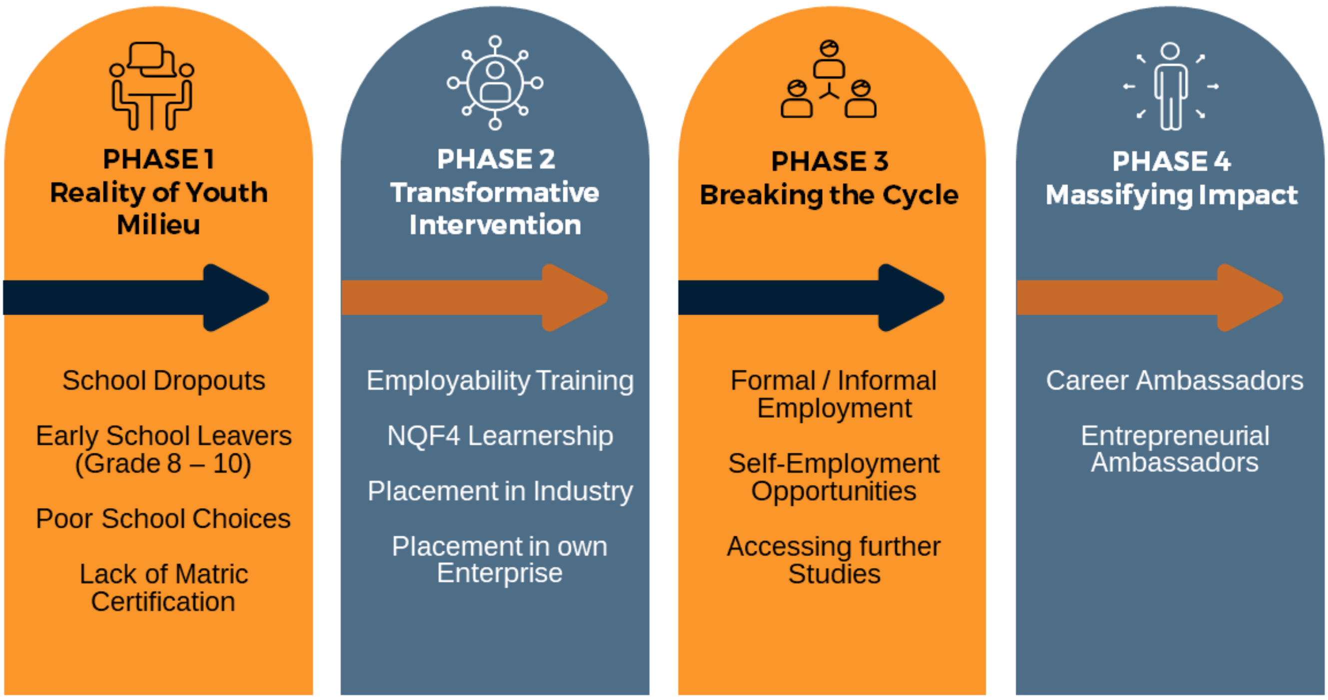
By Dr Ricardo Dames - CEO

While Engeli celebrates matching and placing more than five hundred young people in meaningful work experience opportunities through the Yes for Youth program in 2021, the cyclical nature of this and many other developmental interventions means that the impact may be short lived. With only a small percentage (between 2.5 and 5%) being absorbed into formal employment after the twelve-month period, the inverse also implied that 95% may face grim opportunities for employment.

Our close interaction with young people through monthly mentorship during the one-year work experience placement has provided us a chance to peak behind the veil of what these young people go through to stay afloat. We shudder when the youth unemployment stats are released as it becomes a constant reminder of the grim reality many South African youth face each day. Many young people opt to participate in learnership opportunities which provides some level of educational support with the often-leading incentive being the meagre stipend they earn during the duration of learnership. Others engage in semi-skilled and informal activities as another method of earning a living and this is particularly understandable given the context of acute economic challenges which bedevils many local communities.

As youth development practitioners we embrace the years' worth of working experience, but also cannot turn a blind eye to the fact that the young people may be no better off unless an intentional longer term developmental intervention is applied.

A study by Hirai and Hiyane (2020) introduced a framework for consideration to assist youth in self-navigating their way out of the poverty trap which we adapted for our local context. (https://doi.org/10.1080/09614524.2020.1863337)



Own Construct (2021): Pathways out of the Poverty Trap

From the above graphic above we can identify possible levers Engeli can amplify to empower youth with the skills and resourcing to self-navigate out of the poverty traps they find themselves in. We emphasise that the agency remains with youth to take ownership of their situation and to have an innate drive to strive for better livelihoods.

The Youth Milieu

At the time of South Africa's transition to democracy, there were high hopes for the generation of children who were being born. Today, 27 years into democracy, this cohort have "come of age" and form a particularly large part of South Africa's population: just over 50% of the current population are under the age of 25, and just over 20% are between the ages of 15 and 24. Many researchers and politicians often refer to these young people as the "Born Frees" due to them being born into a democratic South Africa that theoretically should have opened up "more opportunities for all", and have been considered a possible "demographic dividend", which could help drive growth and reduce dependency ratios. (The dependency ratio is calculated by considering the number of children between the ages of 0 – 14 and older persons, 65 years or over in relation to the working-age population being 15 – 64-year-olds).

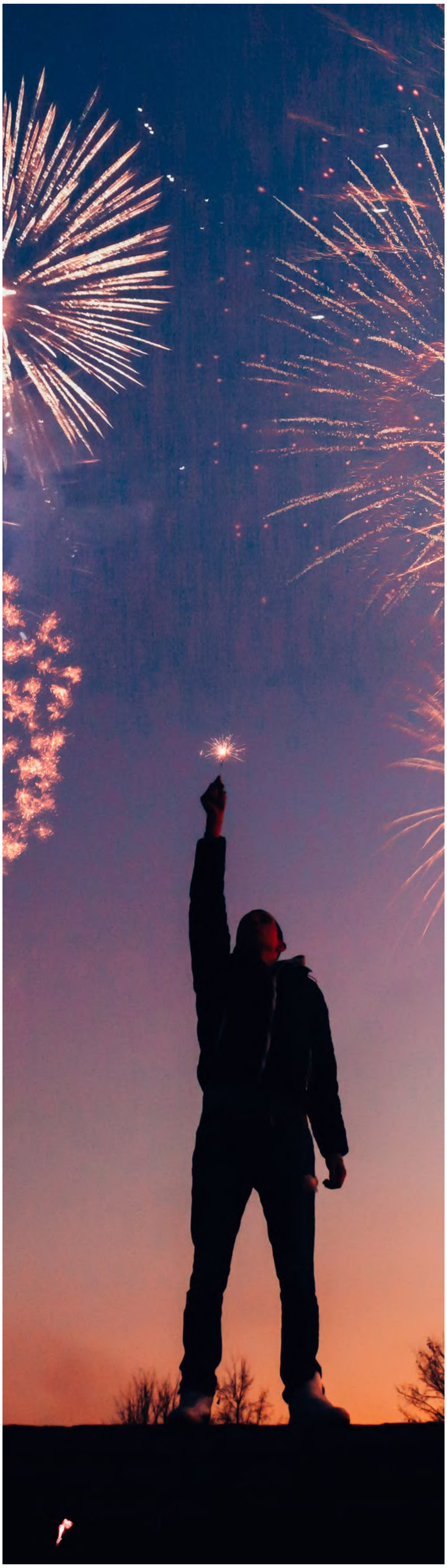
Unfortunately, despite the many promises of a "better life for all", racial, class and gender inequalities continue to shape the lives of young people and shatter their dreams and search for better opportunities. Especially among previously disadvantaged groups, levels of school drop-outs, un(der) employment and discouraged work-seekers are high with the most recent expanded unemployment rates cited to hover around 74%. (Reuters - South Africa's unemployment rate hit a new record high of 34.4% in the second quarter of 2021 from 32.6% in the first quarter)

The heightened sense of exclusion among young people is manifesting increases levels of frustration and impatience as was evident in the recent looting sprees in Kwa Zulu Natal and Gauteng regions respectively. The situation has earned young people in South Africa the title as "a lost generation" or a "ticking time bomb" needing to be diffused. South Africa's National Development Plan (NDP) warns that the country must find meaningful ways to reduce alarming levels of youth unemployment and to provide young people with broader opportunities as failure to act will threaten democratic gains and will lead to lower levels of physical and mental well-being among the current youth cohort, and continue to feed the intergenerational cycle of exclusion and poverty.

We need to clarify that poverty is not only experienced in the form of financial deprivation but also through limited access to public goods such as (good quality) education, health care, clean water, sanitation, "proper" housing etc.

Engeli's response through targeted transformative intervention

While we are realistic that there are limitations to what we can do, we strive to adopt the "starfish" analogy and attempt to redirect the lives of the 500+ young people whom we have had immediate access to through our recent placement partnerships. Even if only fifty of these young people like Siya are positively impacted, we relish the opportunity to massify youth employment in our sphere of influence. We focus on three interventions below:



Pulse 1: Employability Training

We have developed a basket of soft skills that assist young people over the course of the one-year placement to be better prepared for the world of work. In the design of the content, we have selfishly biased the content mix to focus on both the life skills needed to be better prepared for demand side challenges while also ensuring that we prepare the young person to be able to spot entrepreneurial and or social entrepreneurial opportunities where and when they emerge.

Own Construct (2021): Engeli Career Mentoring Framework

Pulse 2: Placement in Industry

Our classic youth employment solution immerses candidates into a formal 12-month work opportunity as defined by Yes 4 Youth NPC. During this year candidates complete the prescribed Yes eLearning content whilst being supervised in the workplace where they discharge their duties as an "employee" within the host site. For many youth this is their first experience in a formal workplace and they are often intimidated by the rigor of work scheduling, shifts and engaging with other staff.

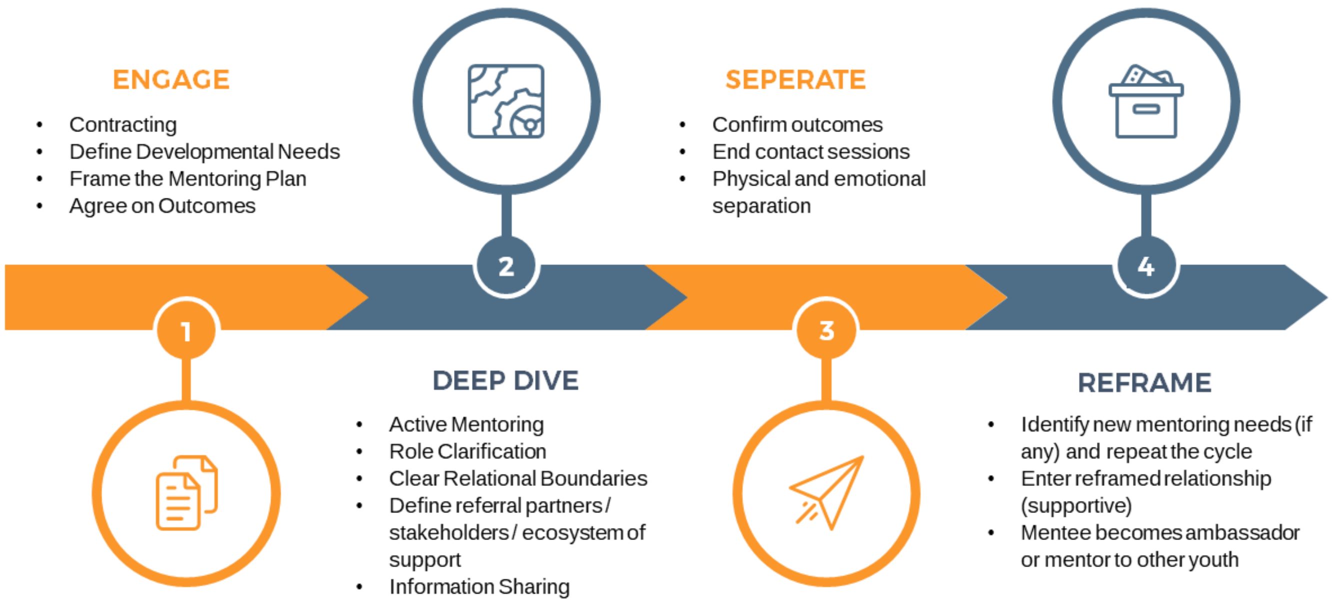
Engeli has therefor implemented a twelve month mentoring journey alongside its skills interventions to further embed the application of the newfound skills both personally and within their work environment. We have seen an immense appreciation from young people for this "handholding" intervention as we fulfil the role of both trusted guide and accountability partners. Both terms often being foreign to the young people we work with who find themselves immersed in a trust deficit society. Literature recognizes mentorship for its positive impact on both individuals and their organizations and define mentoring as the process of knowledge transfer between a more skilled, experienced person (the mentor) and a novice apprentice (the mentee). Our assigned mentor engages both at individual and group level and supports the youth in developing a personal development plan and practically implementing it in the world of work.

Pulse 3: Placement in Own Enterprise

As we became more aware of the limited opportunities for absorption into the formal labour market we have also started encouraging youth with entrepreneurial tendencies to consider placement in their own enterprises. By definition, an entrepreneur is a person who starts and manages their own business by taking on the full responsibility of its outcomes. Whether seeking satisfaction with their innovation or financial autonomy, entrepreneurs are ready to bear all the risks and challenges the unknown future holds.

We have seen in our South African context, with very low entrepreneurial activity levels that not all aspiring entrepreneurs are risk-takers, and many are afraid of the adverse outcomes associated with entrepreneurship. One way to increase the support for youth to pursue entrepreneurship is by increasing their psychological safety, enhancing a sense of being shielded from adverse situations, boosting their self-esteem and cognitive ability. The assigned mentor supports the young person to embrace entrepreneurship as a career option and to form a professional and supportive network, create a space to validate business ideas with lower risk and to enhance their confidence in marketing or seeking finance for their venture. We have found that even though mentoring can be offered in different ways, the most impactful is in dyad form (one to one) where youth feel more at ease to be vulnerable and share their business ideas more freely.

Given the transient nature of our interventions, we have adopted a clear mentoring framework to encourage the graduation of youth after the one-year period. The model is depicted below:



Breaking the poverty cycle and massifying impact

The above three pulses are some of the direct interventions Engeli has piloted over the last two years of implementing youth employment solutions within the Eastern Cape. While it is still early to gauge the full impact, we have been happy to see a greater affinity for entrepreneurial pathways with new youth applying for support and this is also validated by a greater acceptance of self-employment as meaningful absorption by verification agents.

We envision that the youth who have been through our interventions would ultimately also take upon themselves the responsibility to “pay it forward” by becoming agents of change and influence within their own local communities. These ambassadors can best share relatable experiences of their workplace exposure and how they manages to stand their ground and in the same way others can also relay their own entrepreneurial journeys. We have seen how using our “millennial” staff in engaging with other youth has opened up a sacred space for peer support and look forward to implementing this widely as we engage with more cohorts of youth entering our programmes.

Youth Work Readiness Program as a pillar for Youth Development.

By Yibanathi Maqina - Young Employment Skills Development Cordinator

Most organizations make work experience mandatory when advertising vacancies and this has resulted in the highest unemployment rate amongst Youth, as we have seen in modern South Africa.

The problem with this is that without any work, job seekers can't get the experience required and without the necessary experience the same job seekers are deemed as not meeting the criteria for many job opportunities. This is one of those instances that epitomise the saying "caught between a rock and a hard place". It is easy to argue that we do have a lot of young people that hold qualifications that are not in high demand or have become irrelevant in today's job market, but we also can't deny the fact that there just as many, if not more young people who hold qualifications that have enabled them to be equipped with in-demand skills such as Engineering and ICT support etc ,yet they struggle to find employment due to lack of experience , The above-mentioned scenarios are the main reason why programs such as the Yes-4-Youth initiative were established.

Even though we can all agree that employers want candidates with experience, we also need to ask ourselves what do employers mean by experience? are they referring to technical experience or soft skill related experience? The reason we should ask this is that even though a job seeker might have worked in a similar work environment before, employers sometimes lay claim to the fact that this candidate is not what they are currently looking for, or even if the job seeker has the relevant experience, they might struggle to integrate themselves into that workplace and end up not making the most of the opportunity.

Youth employment and development space has given me a better insight on this issue, since part of my job is the recruitment and training of candidates on behalf of various organisations, I've realised that more employers are looking for candidates with certain soft skills since they have learnt that anyone with the right soft skills can be taught to work in any environment. We once asked one of the directors for an organisation we were recruiting for, what they are looking for in a potential candidate, the replay we got was, "give me the candidate with the right attitude and everything else can be taught" this was a clear indication of how employers value soft skills above all.

This becomes problematic as most candidates only focus on obtaining qualifications and gaining technical experience and totally neglect to develop the critical soft skills and experience that will assist them not only in finding employment but also in succeeding in their jobs.

The unfortunate part is that most Youth Development initiatives mainly focus on exposing candidates to the working environment with a hope that these candidates will gain more technical experience and neglect developing candidate's soft skills and this resulted in lot of talent being wasted and many organisations missing out on talent that can be the main anchor for organisation's success in both the short- and long-term future.

What is the solution?

The best solution to this would be the Close the Gap program, Close the Gap was developed by Harambe.We have been involved in the implementation of this program to the candidates ever since Engeli has been in partnership with Harambee.

What is Close the Gap?

This programme functions as a proxy for work experience by equipping work seekers with the skills and competencies required to be successful in the workplace.

The programme is designed to be implemented in 5–6-week timeframe with a focus of developing the following skills and competencies:

1.Relevant Behaviours for Work
2.Relevant Socialisation for Work
3.Core competencies (English Acceleration, Digital Literacy, Problem Solving)

The main purpose of the program includes the following:

- To close the gaps in work readiness between where work seekers are and where they need to be.
- To position them to successfully integrate into the world of work and to maximise job success & career progression.
- To improve employee retention by aligning work seeker's expectations with employer needs.
- To transform work seekers into young professionals ready to succeed in their role.
- To socialise young people for the world of work and instil appropriate work behaviours.

The close the Gap is by far the best program that is directly addressing the gap between employer's expectations and Youth capabilities, soft skills, and experience, some of my other colleagues with more than 10 years' experience in the training space also agreed with this. Am also hoping there are more programs like that are coming up to address this same issue.

In conclusion if we are serious about investing by developing our youth so that they can be more equipped to be the drivers of success for our organisations and economy, we cannot neglect developing their soft skills and soft competencies since these are very vital for one's overall competency.

What to expect from your B-BBEE Rating Agency

By John Rankin - Transformation Specialist

What to expect from your B-BBEE Rating Agency

The B-BBEE industry is one that has always been under scrutiny. Whether it stems from business at large, the public or the various regulatory bodies like SANAS, the DTI or the B-BBEE Commission. Unfortunately, in many cases, this scrutiny is not uncalled for as some representing the B-BBEE industry cross the line of ethics. However, recently, there has been accountability from regulatory bodies for those choosing to circumvent the Codes.

The B-BBEE industry is an ever-changing, complex one that requires all those working in it to be fully versed in all aspects of the Codes, primarily when Gazettes or amendments to the Codes are published.

The verification side of B-BBEE is far more monitored and scrutinised than that of the consultancy side. Therefore, Verification Agencies have various internal cross-checks in place to back up their work with the final accountability lying firmly with the Technical Signatory, the person that signs of a B-BBEE Audit.

This article intends to outline what to expect when preparing for a B-BBEE Audit or engaging with a Rating Agency before and during a B-BBEE audit.

What is the role of a Rating Agency vs that of a B-BBEE Consultant?

First and foremost, be aware of the difference in service offerings that a B-BBEE Consultant can offer compared to that of a Rating Agency. There must be a clear separation between the two services provided by two unaffiliated parties.

A B-BBEE Consultant is permitted to analyse an organisations B-BBEE focus, provide targets and then guide how an organisation can achieve B-BBEE milestones. For example, they may consult directly on the specifics on how to structure an organisations Skills Development, Enterprise Development, Supplier Development or Socio-Economic Development spend.

A B-BBEE Consultant can link an organisation to potential beneficiaries or outsourced service providers. They can assist an organisation in building their B-BBEE Audit File to ensure sufficient initiatives are claimed to meet the strategic goals of an organisation and provide any necessary evidence.

Most importantly, B-BBEE Consultants are expected to be versed on the Codes so they can assist an organisation in navigating the complexity of their B-BBEE Strategy. However, this is to a point as the B-BBEE Consultant and Rating Agency play different roles and have different levels of scrutiny and accountability. A strong Consultant will be able to ensure that all their recommendations are accepted with a client's chosen B-BBEE Rating Agency.

The core role of a Rating Agency is to audit initiatives undertaken based on evidence provided, then issue a SANAS Accredited B-BBEE Certificate based on the actual audit outcomes. Other services Verification Agencies offer is that of a 'Gap Analysis', whereby targets are defined and provided for, or the calculation of a Year-To-Date snapshot. Conversely to a Consultant, they are not permitted to provide guidance on the implementation of the Gap Analysis and Targets. Otherwise following the issuing of B-BBEE Certificate, they will address any dispute or significant change that would impact the overall score by means of a Re-assessment or Special Evaluation of the B-BBEE Audit.

Rating Agencies and B-BBEE Consultants must 'stay in their lane' as their services must not overlap, which may cause a conflict of interest. Differentiating factors in their roles are:

- A B-BBEE Consultant is not permitted to provide verification services.
- A Rating Agency is not allowed to guide an organisation in the implementation of B-BBEE initiatives.

Rating Agencies and B-BBEE Professionals are often in a good position to refer to one another's services to their clients. However, do not be guided to one service provider; instead, request a list of three then conduct independent due diligence on each.

What aspects should be taken into account before engaging with a Rating Agency?

Vital when sourcing a Rating Agency is the ability to identify red-flag areas. Remember the first rule of thumb, if something seems too good to be true, it probably is. Too good to be true translates to a guarantee of a specific status level; or a unique offering that only they as your Rating Agency can offer. Red-flags include pressure to use a specific B-BBEE Consultant from their stable of suppliers to make the B-BBEE Audit process easier. Bear in mind that any audit process is not supposed to be easy or have any guarantees attached to it; instead, it is about evaluating then presenting evidence.

When organisations choose a financial auditing firm, they go to great lengths to check they are accredited, ethical and conduct themselves in line with legislation. The same principles must apply when engaging with a Rating Agency. Although most organisations receive Rating Agency referrals from their B-BBEE Consultant, these must not be accepted on face value, do due diligence. Take the time to meet with at least three verification agencies, do an on-site visit and ascertain the following:

- Are they accredited to conduct a B-BBEE Audit on the Code your organisation is measured?
- How do they apply and interpret the Code you are measured? As with any legislation, there can be a difference in interpretation of various aspects of a scorecard. Having foresight on what a Rating Agency will or will not accept will have an impact on the outcome of a B-BBEE Audit.
- Do they have the internal capacity to perform a B-BBEE Audit? Take the size of your organisation and the resources that would be necessary to conduction a B-BBEE Audit within a predetermined timeframe.
- Are the Rating Analysts that will conduct the B-BBEE Audit fully versed on the Code on which you are measured?
- Is any part of the B-BBEE Audit outsourced?
- What is their costing structure?
- Do they receive commissions for referred work to/from B-BBEE Consultants?
- What references can they offer? A reputable Rating Agency will have a solid track record.
- Do they appear in the SANAS directory of accredited Rating Agencies on the SANAS website? Ensure that the status reflects “Accredited” and not “Withdrawn” or “Suspended”.
- What is their SANAS BVA number? Allocated to all SANAS accredited Verification Agencies is a unique BVA number that appears on all issued certificates and their website. On an issued certificate ensure that the BVA number appearing reflects the Rating Agency contracted to do the B-BBEE Audit.
- What is their Status Level? An accredited Rating Agency is obligated to hold a Status Level between 1 and 3. This is a requirement per Paragraph 6.1.1(e) of Statement 005 Issued 23rd September 2011 in Gazette #34612.

What is the B-BBEE Rating process?

The B-BBEE Rating process follows similar to that of any financial audit. After contracting a chosen Rating Agency, the process follows a typical flow of events. However, these may vary from agency-to-agency. The flow of events hereunder is non-exhausted:

- A Rating Agency provides an organisation with a document checklist of what evidence is required in the B-BBEE Audit File submission.
- The submission of the B-BBEE Audit File by the organisation to the appointed Rating Agency for review.
- The Rating Agency will allocate a Verification Analyst to work through the evidence presented in the B-BBEE Audit file. The analyst will request the following:
- The proposed date and time of B-BBEE Audit on-site;
- A list of outstanding evidence not included in the B-BBEE Audit File; and
- Schedule of 'samples' necessary to conduct the on-site B-BBEE Audit. Post audit, an organisation has seven days to submit any outstanding information to the Verification Analyst.
- Upon finalisation of the B-BBEE Audit File, it goes to the Technical Signatory for final review, sign-off and issuing of B-BBEE Certificate. However, when necessary, the Technical Signatory can request further evidence before issuing the B-BBEE Certificate.

A B-BBEEE Certificate can only be issued once the Technical Signatory is satisfied with all sampling criteria, and evidence is in line with SANAS requirements. The Technical Signatory is the person that takes final accountability of a B-BBEE Audit.

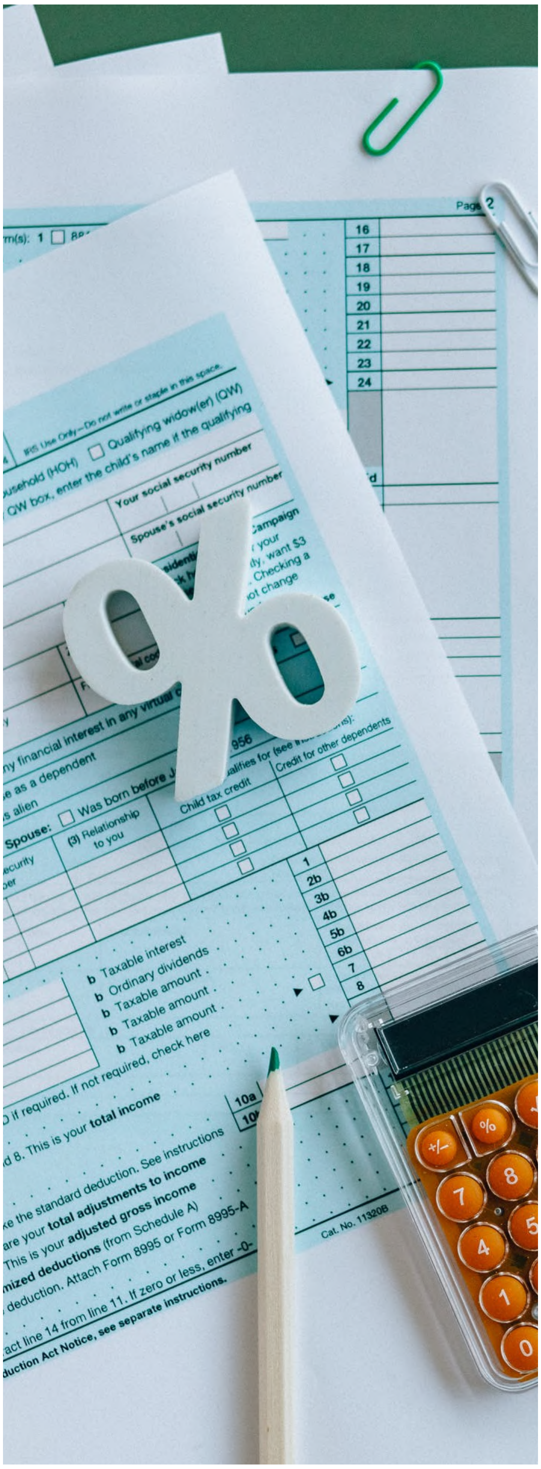
How is evidence analysed?

The Verification Manual for the Amended 2013 Codes of Good Practice to-date is not Gazetted. However, the Verification Manual published as Gazette #31255 in July 2008 drafted on the Old Codes provides the guidelines that are in the interim followed. In addition, all B-BBEE Rating Agencies must follow the guidelines and conditions set out in the R47-03 SANAS issued publication.

Due to the magnitude of evidence submitted in the B-BBEE Audit File, a B-BBEE Audit is conducted through processing' samples. Effectively, this is an action or process that extracts information for analysis that allows a Verification Analyst to ascertain whether due process was followed. If the extracted 'samples' corroborate a claim, theassumption is that the evidence is indeed correct and passes the audit requirements. However, if the selected 'samples' do not meet the criteria or contradict the submitted information, it is disallowed. Subsequently, no points are allocated to an element from where the failed 'samples' derive.

To read the R47-03 which guides all B-BBEE Rating Processes that Rating Agencies need to follow

Click Here



Under what circumstances would a B-BBEE Certificate be re-issued following a dispute or relevant amendments to an organisation's structure?

Following the issue of a B-BBEE Certificate, an organization's circumstances may change, that may have an impact on the overall B-BBEE score of the organization. There are various reasons for this; for example, it might be a consequence of a change in the ownership structure only implemented following the issuing of a B-BBEE Certificate. Otherwise, the emergence of relevant evidence that was not included during the B-BBEE Audit process, an error uncovered following the B-BBEE Audit may be processed as a complaint or an appeal. The result of any such circumstances may result in the re-issuing of an organization's B-BBEE Certificate.

The Verification Manual published as Gazette #31255 in 2007 (2013 Verification manual is not gazetted at date of this publication) contains the guidelines necessary for a Rating Agency to re-issue a B-BBEE Certificate. It provides for the methodology, planning, record-keeping and reporting requirements, as well as a list of applicable documentation required per element and procedures to be followed for each element. This Gazette further addresses the circumstances that may result in a change of a B-BBEE score, and the procedures to follow during the re-issue process.

What is the status of the original B-BBEE Certificate following a re-issue?

When a B-BBEE Certificate is re-issued following a Special Evaluation or Re-assessment, the lifespan of the original Certificate is not extended, put another way, the original expiry date remains valid.

A re-issued B-BBEE Certificate must reflect the date on which it was re-issued and must include the expiry date of the original Certificate. Some Verification Agencies highlight the date of the original issue, but this is not mandated; therefore, the format of certificates may differ from agency-to-agency. For example, the original B-BBEE Certificate was issued on 1st December 2019, expiry date 30th November 2020. Following a Special Evaluation, the B-BBEE Certificate is re-issued on 30th January 2020; however, the expiry date remains 30th November 2020.

A re-issued B-BBEE Certificate must link to the original one so it can be easily traced. Although the format of re-issuing a B-BBEE Certificate may differ from agency-to-agency, the reference to a re-issued B-BBEE Certificate should appear in the certificate number. For example:

- The original B-BBEE Certificate number is - 1234 [followed by the date of issue].
- Re-issued B-BBEE Certificate number referring to re-issue should reflect – 1234 REV1 [followed by date re-issue], otherwise R1-1234 [followed by the date of re-issue].

When a B-BBEE Certificate is re-issued, the original one is effectively withdrawn. If an organisation is unable to find a resolution with their chosen Rating Agency, the matter can be taken up with SANAS.

Organisations need to have an appointed person in-house to manage the verification process. Critical areas of concern are inconsistencies in the application of the Code that is measured and their application during the audit process.

Employment Equity-Are you ready ?

By Donna Kramer - Transformation Specialist

What is the Employment Equity Act?

The Employment Equity Act was brought about as a tool to aid employers to achieve a more representative workforce through providing principals of planning, guiding policies and practices ensuring diversity which is in line with the Economically Active Population statistics. Thereby promoting fair and sustainable human resource processes.

Who must report?

- All Designated Employers with 50 or more employees must report every year.
- Employers with fewer than 50 employees who are designated in terms of the turnover threshold applicable to designated employers as seen below in Schedule 4 of the Employment Equity Amendment Act No. 47 of 2013.
- Employers who voluntarily wish to comply in terms of section 14 of the EE Act.

SECTOR	THRESHOLD
Agriculture	R6m
Mining and Quarrying	R22.5m
Manufacturing	R30m
Electricity ,Gas and Water	R30m
Construction	R15m
Retail and Motor Trade and Repair Services	R45m
Wholesale Trade, Commercial Agents and Allied Services	R75m
Catering, Accommodation and other Trades	R15m
Transport, Storage and Communications	R30m
Finance and Business Services	R30m
Community, Special and personal Services	R15m

The EE Act requires that all designated employers are to:

- Prepare and implement an Employment Equity Analysis and Plan
- Have an Employment Equity Committee in place with an assigned Employment Equity Manager at senior management level. Committee Meetings must take place at least once a quarter.
- Report to the Department of Labour on an annual basis on the progress of the Employment Equity Plan.

When are Annual Reports Due? And what Information is required?

Annual Reporting season opens 1 September, and reports are due by the 15th of January each year. The Employer must report on the following information for the previous 12-month period (usually 1 Sept – 31 Aug)

- Current workforce profile at the end of the reporting period
- New appointments, promotions, terminations
- Skills Development for the purpose of upskilling or possible promotion
- Workforce Profile goal as per the current EE Plan (i.e., end of plan)
- Workforce Profile targets as per the current EE Plan to be achieved at the end of the next reporting period.
- Monitoring and evaluation
- Fixed remuneration at each occupational level by race and gender.
- Variable remuneration at each occupational level by race and gender.

The 2020 Employment Equity Amendment Bill – What you need to know

The latest draft of the Employment Equity Amendment Bill was published on 20 July 2020, several years after the initial draft appeared for comment. The latest version has been introduced to Parliament and the following amendments have been proposed:

- Less regulatory impact on small employers

The Bill intends to amend the definition of ‘designated employer’ by excluding employers who employ fewer than 50 employees, regardless of their annual turnover. This means that those employers will not be subject to the affirmative action provisions of the EEA. Voluntary reporting will also be done away with, thusly fewer companies will need report.
(https://www.chmlegal.co.za/employment-equity-amendment-bill-2020)

- Sectoral Targets

Numerical targets will no longer be adhered to by national or provincial EAP stats, but rather employers must comply with the sectoral targets set by the Minister assessing compliance with the EEA, the Director-General will also consider whether the employer has complied with the sectoral targets set by the Minister after consultation with industry stakeholders.
(https://www.chmlegal.co.za/employment-equity-amendment-bill-2020)

- Change to Employment Equity (EE) Plans

Designated Employers who currently have EE Plans in place will need to implement new plans starting 1 September 2022, to be in line with new sectoral EAP targets.

How are we doing with Industry 4.0 ?

By Grant Minnie- Senior Industrial Advisor

Has there ever been a prior industrial revolution that has solicited such a significant response from academics, industrialists, politicians, civil society, employees, and unionists alike ?

There is perpetual media hype, questions, debates, webinars, TV station reporting, discussion groups and forums that are dedicated to "dissecting" this 4th Industrial Revolution (4IR). In fact, it's now even considered unfashionable to not be a part of any 4IR grouping or initiative. Best of luck to you if you find yourself in any social setting where the subject of 4IR is raised and you ask "what is 4IR ?". You would in all probability be considered an outcast. It simply sounds too cool to say "yes I'm also in the loop when it comes to 4IR, but are we really and if we are to what extent ?

Prior to this revolution, I never once recall any discussions centered around the 3rd Industrial Revolution (3IR) which brought forth the rise of electronics, telecommunications and of course computers, which are all now fundamental to 4IR. We simply applied those technologies to improve and automate the status quo. So why all this excitement around 4IR ?

Maybe it would be worthwhile to go back in time to understand the origin of "Industrie 4.0", later termed the 4th Industrial Revolution by Klaus Schwab, Founder and Executive Chairman of the World Economic Forum. Klaus was also party to the initial "reaction group" that responded to Germany's declining economy during the global financial crisis of 2007 and 2008. During this crisis there was a meeting of minds that supported the re-introduction and scaling of Germany's manufacturing industry that would ideally prove to be more resilient than the reliance on their then predominantly knowledge-based economy. This revolution would have at its core, the intent to make factories, products, and production more efficient once again in Germany, this being the birth of the smart factory aka "Industrie 4.0". Given this, it is pertinent to note the initial strong focus on the manufacturing sector.

For the purists, the 4th Industrial Revolution relies heavily on 9 technological enablers that have now reached varying and advanced degrees of maturity, ripe for exploitation, ultimately striving to build what is known as the Autonomous Digital Enterprise (ADE). Essentially, it's an enterprise that can run and manage itself , be proactive, make use of artificial intelligence and data capture all in response to the organization's changing environment.

These technologies that have progressively evolved over time may have their "revolutionary" capability when merged with one another to provide exponential or quantum leap improvements and return. It is where the "whole" becomes far greater than the sum of the individual parts. Using the right combination of these technologies at the right time, in the right place may profoundly change the way a business performs its day-to-day operations in the future. Given this potential "breakthrough capability" has resulted in the popularity and branding of the 4th Industrial Revolution that has now migrated way beyond just the manufacturing sector or "smart factory" to "as-a-service" business models, resulting in "pay as you use" products or services, now cutting across all sectors of an economy.

The ability to create a digital twin of an organization has proven to be a game changer. It allows for the optimization of one's organization in a virtual environment, until such time that the proposed design(s) and business case simulations are proven, delivering even greater value to one's customer.
The increasing use of Internet of Things(IoT) and sensors are creating data banks that are being recognized as valuable assets that inform the next resource, business zone or process for further improvement and innovation. In fact, the only real limiting factor now has probably become one's intuition, creativity and propensity for innovation.

Virtual and augmented reality has discarded physical boundaries and locations, making it possible for someone to carry our repairs and inspection on another continent.
The need to carry critical spares at high costs has become superfluous with additive manufacturing, providing the ability to print on demand.

The high costs associated with supercomputers required to build artificial intelligent capability into one's processes is no longer necessary and is provided on a "pay as you need" basis now for developing complex, deep machine learning optimization models.

4IR has led to a significant shift in costing models, from the traditional capex procurement approach to that of opex inclusion (variable cost model), allowing organizations to sell consumption time, rather that purchasing equipment that may invariably be under-utilized over time, requiring additional expenditure that includes storage and maintenance etc. This in-turn creates a win-win scenario for everyone.

So where are we with 4IR ?

Engeli would like to use this opportunity to gauge where our industry is in respect of 4IRmaturity or degrees of readiness ? The purpose of this exercise is to obtain an initial high-level understanding of how we are doing in the 4IR ecosystem ? We would be happy to anonymously share all the feedback in a follow up newsletter article.
The survey (link to access and complete on the right) was compiled by the University of Warwick in the United Kingdom, together with two reputable international consulting entities. There are 6 core dimensions that are measured in order to assess an organization's 4IR maturity. These include:

- Products and services (It is recognized that certain industry sectors are extremely limited to the degree of product innovation, given offshore R&D)
- Manufacturing and operations
- Strategy and organization
- Supply chain
- Business model
- Legal considerations

We would love your input on your 4IR Readiness

Click Here

to complete our survey

The Benefits of Black Ownership

By Barry Wiseman - Director - Engeli Enterprise Development

To read the requirements for the new AIS2 / APDP2 Incentive Program

Click Here

Following on from the article in our 2nd edition on black ownership and procurement, we thought it would be useful to highlight some of the other benefits linked to the ownership element of the BBBEE Scorecard.

Depending on the industry in which one operates, having black ownership can either contribute towards or be a deciding factor in qualifying for government incentives, certain licenses/rights and specific funding – we have outlined some local industries where having black ownership could determine whether a business qualifies to receive these benefits or not.

1) Automotive

- Automotive Production & Development Programme 2 (APDP2)

With the APDP having commenced in July 2021, any company in the industry submitting a claim after 31 December 2022 needs to be a level 6 and any claim after 31 December 2023, will require the company to be a level 4 – to achieve this, the company would need to score sufficient points on all the elements of the BBBEE scorecard. Without at least scoring the subminimum requirement of 10% for Black Ownership, which is a priority element, companies will be discounted one B-BBEE Level. Considering the dropping of one B-BBEE level, not scoring any points for ownership and the difficulty of scoring Preferential Procurement Points, specifically in the automotive sector, will make it extremely challenging for companies to achieve the desired B-BBEE targets to qualify for the above-mentioned incentives. It is believed that the Automotive Industry, collectively through all the associated incentives, are recipients of around R18 Billion per annum and as such, the cost of non-compliance/qualification will have a material negative economic outcome.

- Automotive Investment Scheme (AIS)

To qualify for this incentive, a company will need to be BBBEE compliant at least, although it is government’s intention to have BBBEE targets similar to that in place for APDP2 – here too, generic companies would be under pressure to ensure that they address all elements of the BBBE scorecard to ensure they qualify. A similar consideration, as articulated in the previous point, would be applicable to the AIS Incentive as well.

- Automotive Industry Transformation Fund (AITF)

The intended beneficiaries of the AITF are 51% black owned Exempted Micro-Enterprise (EME), Qualifying Small Enterprise (QSE) and Generic enterprises across the automotive value chain and adjacent industries in the primary locations of Gauteng, KZN and the Eastern Cape. The correctly profiled business would be able to apply for relevant funding relating to projects / contracts secured from an OEM.

2) Fishing

·Fishing Rights Allocation Process (FRAP)

Although there have been various delays in the process that was meant to have commenced late 2020, indications are that applications for 15-year fishing rights within specific fisheries will need to be submitted by 31 December 2021 – to qualify, an applicant would ideally need to be at least 51% black owned.

3) Fuel Retailers

Most of the large fuel retailers in SA (e.g., Shell, BP, Sasol, Engen) have strict black ownership qualifying criteria (currently 25%) applicable to new franchisee operators and for the acquisition of existing retail fuel operations in SA.

4) Gambling

Depending on the size of the gambling outlet and anticipated revenue to be derived, could entail a black ownership requirement for new applications (or the purchase of existing operations) of between 25-51%.

5) Funding from Development Agencies

Some of the funding provided by the Development Agencies (e.g., the IDC and the NEF) is specifically earmarked for black owned businesses or in some instances, preferential interest rates are made available for specific funding interventions (e.g. working capital).

In addition to the above, in terms of the PPPFA (Preferential Procurement Policy Framework Act), there are certain government tenders that have pre-qualifying criteria relating to minimum black ownership of 51% for EMEs and QSEs.

As was highlighted in one of our previous articles on Procurement (the Procurement Waterfall), a Level 7 supplier with 51% black ownership and 30% black woman ownership, offers substantially higher procurement recognition than a Level 1 untransformed supplier.

As can be seen from this brief article, the business case for attaining a degree of black ownership is compelling and in the context of "Business South Africa" it is suggested that, depending on one's market and associated incentives, it does make "cents"

To read about the benefits of Procuring from a 51% Black Owned supplier and how it can benefit your Procurement Scoring on your B-BBEE Audit

Click Here

Engeli Group of Companies has various solutions to assist you attain the ideal Ownership Structure for your business. Please get in touch and let us see how we can assist you

The Rand Debate

By Willem Piek - Managing Director - Engeli Treasury Solutions

The Covid pandemic had a significant impact on global economic recovery, forcing central banks around the world to adopt further measures of extreme monetary policy that has driven the market to significant levels of complacency and risk-taking behaviour.

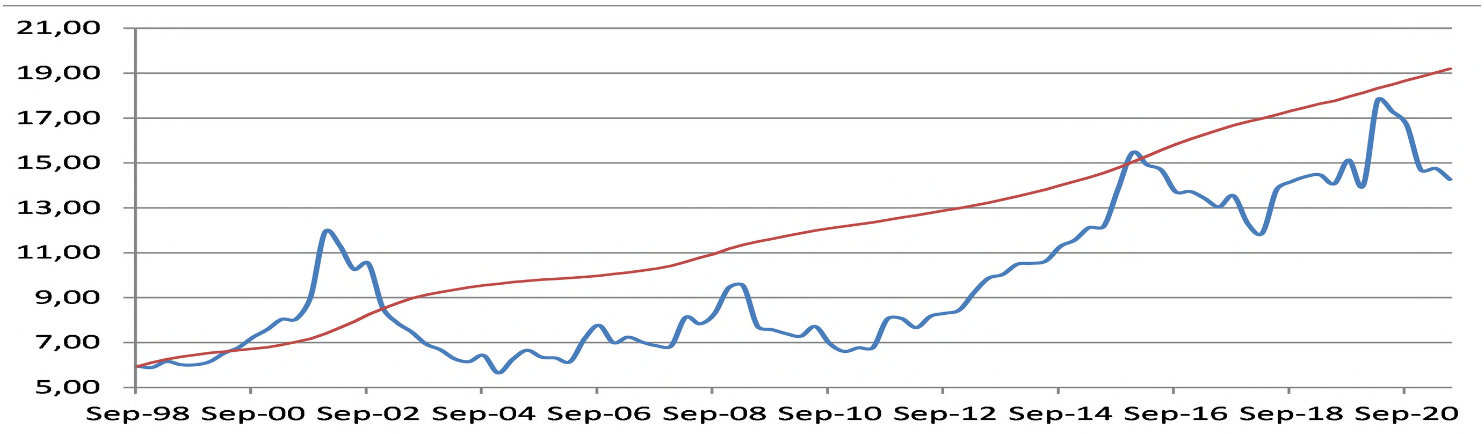
As inflation continued to remain negligible the high yielding Rand currency benefitted from the excessive availability of loose monetary policy, high commodity prices and a massive trade surplus, strengthening to USD/ZAR 13.40 at the end of May 2021. This was a remarkable feat considering the currency traded as high as USD/ZAR 19.34 at the beginning of April 2020.

However, years of bad policy administration in South Africa has caused inefficiencies and damage to the productive capacity of the economy. As the fiscal risks intensifies this leaves the country vulnerable to a shock if central banks start to unwind some of their stimulus efforts and global risk appetite starts to decrease.

As speculation around the timing of the Fed Taper intensifies, so investors will start to price in the effects of less monetary stimulation. That has already led to a correction in risks assets and the market correction could extend even further.

The ZAR (South African rand) remains one of the most volatile emerging market currencies in the world which makes it very difficult for businesses to plan and execute strategy. With everyone speculating as to what the fair value of the currency should be it remains a concern how little thought process is being applied to implement strategies that dilutes the impact of such a volatile currency without impacting the underlying business strategy.

As illustrated on the attached monthly graph there is always an expectation for the ZAR to depreciate over time, considering the higher inflation environment. What businesses unfortunately fail to account for is that the depreciation over time has been less than the implied interest differential as illustrated below.



Businesses failing to take advantage of the macroeconomic factors in their favour could come with dire consequences. With the proper recognition of these factors and implementation of a well-developed and executed risk management methodology, business could gain a competitive advantage with diluted risk.

With many businesses being stretched thin just to survive and markets prone to unpredictable behaviour, now is maybe the time to get professional advice to ensure sustainability in in the international trade environment.

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