

**STRATEGY FOR BROAD BASED BLACK ECONOMIC  
EMPOWERMENT IN THE FOREST CONTRACTING  
ENVIRONMENT (ABREVIATED REPORT)**



**FORESTRY SOUTH AFRICA**



**Glen Michael & Associates  
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## **Terms of Reference**

The Steering Committee of the Forestry Contractors Productivity Initiative 2 requested Glen Michael and Associates to address the: -

*'Lack of a clear, agreed long-term strategy for managing the transformation process' (in the forestry contracting environment.*

The request recognised that the retention of existing contractors' skills is crucial to the success of the forestry industry – but, equally, that equity and economic empowerment need to be urgently addressed.

This necessitated that the forestry industry clearly understands government's requirements regarding economic empowerment of the previously disadvantaged South Africans, mainly via ownership and development of skills. At contractor level, individuals with entrepreneurial skills must be identified, mentored and developed to become successful contractors.

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## **1. Executive Overview**

### **Government Strategy**

Since 1994, government has embarked upon a comprehensive programme to provide a legislative framework for the transformation of the SA economy. New laws have restored rights to land and tenure; proscribed unfair discrimination and introduced specific active measures to overcome the distortions in the labour market as well as provide new economic opportunities to historically disadvantaged persons.

The Broad Based Black Economic Empowerment Act, No. 53 of 2003 covers the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies to:

- Increase the number of black people that manage, own and control enterprises and productive assets;
- Facilitate ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- Develop human resources and skills;
- Achieve equitable representation in all occupational categories and levels in the workforce;
- Encourage preferential procurement; and
- Promote investment in enterprises that are owned or managed by black people.

### **Growers Strategy: Current Status**

Senior members of all major South African timber growers were interviewed to obtain the current status, thinking and policy guidelines in respect of black economic empowerment of their current contractors supplying silviculture, harvesting, transport and general services.

None of the growers had, at the time of the interviews, issued formal policies or policy guidelines or formally agreed empowerment targets with their contractors. All growers were, however, in the process of drafting policies and most had had preliminary discussions with individual contractors, e.g. during negotiations to renew contracts.

### **Contractors Strategy: Current Status**

#### **White-Owned Contracting Companies**

The majority (80%) of contractors interviewed do not yet have a black shareholding in their businesses. The black shareholding in the majority of cases is, however, very low.

#### **Black Emerging Contractors**

Twelve black candidates were identified by contractors as potential partners. Psychometric tests were done on these individuals and results were very disappointing. The profiles of the candidates did not fit the requirements of successful entrepreneurs in a contracting environment. If the contractors do intend to bring these candidates in as partners, a lot of time and effort will be required to train them.

Various growers and contractors highlighted the problems faced by emerging black contractors. These are essentially:

- Difficulty in obtaining funding for capital goods via financial institutions.
- Near impossibility to source funds for working capital.

- Limited small business knowledge, if the contractor is an ex-employee of a large grower; or
- Limited forestry technical knowledge, if the contractor is not from a forestry background.
- Limited financial understanding and discipline in controlling expenditure.
- Adhering to legal requirements.
- Adhering to tax requirements.
- Weak administration and record keeping.
- HR / IR abilities very limited.
- Lack of standards and norms for aspects such as productivity, quality, safety, health and environmental issues.
- Limited resources to develop the business and improve working methods.
- If engaged, most accounting firms do the financial statements, but do not interpret and advise the contractor how to react.

### **Growers Strategy: Future**

A strategy of "hands-off" towards contracting companies was followed during the initial years (1980's) of outsourcing forestry operations. This proved to be a costly strategy as numerous (white) contracting companies failed, or delivered poor services. It will be another costly exercise if growers expect white owned companies to transform or leave emerging black contractors to their own fate, without giving support. Not only will growers be faced with unreliable suppliers delivering below quality services, but they will also lose huge amounts because of low sales, downtime, re-work or disruption of continuity due to bankruptcies.

The first step should be that growers determine policies for themselves in terms of the BBBEE Act. A more preferable route will be for organized forestry to draft a charter for the Forest Industry, as has been done for example, in the Mining Industry or the Financial Services.

Growers should draft BEE policies, outlining what is expected from contractors but also embark on programmes to assist them to overcome the barriers that will prevent successful transformation.

### **Contractor's Strategy: Future**

The two major start-up barriers are possibly finding the right partner(s) and finding money. The empowerment of staff through shareholding in an existing contracting company must be addressed in a methodical and well-planned manner. The lower level and illiterate employees have normally not had any exposure in controlling companies, nor any knowledge of the responsibilities of shareholders and directors.

All financial institutions require detailed business plans when considering applications for loans. Although it may appear to be a very time consuming activity, it is a necessity as a well compiled document will not only improve the chance for a loan to be granted, but it forces the applicant to thoroughly analyse his business to come to a better understanding about the current situation and the future of the business.

### **Development Plan: Individuals**

The development of candidates should be done in phases.

In **Phase 1** the candidates would go through a development plan. They would get set-up in a fully-fledged business, ensuring all statutory regulations are in place. During this phase candidates would be coached and mentored, and not left to fend for themselves. After a training and development intervention, it is important to administer another Needs Analysis

and look at the performance gaps that may still exist. Progress needs to be monitored, followed by coaching and feedback to the candidates.

**Phase 2** would be a business simulation exercise that would need to be presented to a training committee. It would involve the candidates presenting income statements, budgets, etc. If it is felt that the candidates understanding are of a suitable standard, they would then be signed-off as competent.

**Phase 3** would then involve the candidates running the businesses with the help of a mentor / coach.

## **2. Current Status of Black Empowerment**

### **2.1 Government strategy and laws**

#### **Background**

*Black Economic Empowerment (BEE) has been on the agenda of the South African government since it was elected in 1994. However, the tempo has picked up, with government employing all the legislative leverage and buying power it has to force the pace of change, culminating in the publication of a BEE strategy by the Department of Trade and Industry (the dti) and the passing of the Broad-Based BEE Act.*

Government's BEE strategy is part of a move to create a coherent, over arching approach towards some 24 laws, policies and regulatory provisions relating to empowerment.

*Government has passed the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) to establish an enabling framework for the promotion of BEE in SA. In particular, the legislation allows the Minister of Trade and Industry to issue guidelines and codes of good practice on BEE, as well as establish a BEE Advisory Council to advise the President on the implementation of BEE and related matters.*

The Act's objectives are to facilitate Broad-Based BEE by:

- Promoting economic transformation to enable the meaningful participation of black people in economy;
- Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
- Increasing the extent to which communities, workers, co-operatives and other collective enterprises own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training;
- Increasing the extent to which black women own and manage existing and new enterprises; and increasing their access to economic activities, infrastructure and skills training;
- Promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people to achieve sustainable development and general prosperity;
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- Promoting access to finance for BEE.

#### **Balanced Scorecard**

A 'Balanced Scorecard' will be used to measure the progress of specific enterprises and sectors in realising BEE. The use of a common scorecard by different stakeholders provides a basic framework against which to benchmark the BEE process in different sectors. The scorecard measures three core elements of BEE:

- Direct empowerment through ownership and control of enterprises and assets;
- Human resource development and employment equity; and
- Indirect empowerment through preferential procurement and enterprise development.

The scorecard is issued as a 'Code of Good Practice'. The code allows for a measure of flexibility so that it could be adapted to the particular circumstances of specific sectors or enterprises, while it would be at the same time bring a measure of standardization to the definition and measurement of BEE.

## **2.2 Major South African Growers**

*Senior members of all major South African timber growers were interviewed to establish the current status, thinking and policy guidelines in respect of black economic empowerment of their current contractors who supply silviculture, harvesting, transport and general services.*

*None of the growers had, at the time of the interviews, issued formal policies or policy guidelines or formally agreed empowerment targets with their contractors. All growers were, however, in the process of drafting policies and most had had preliminary discussions with individual contractors, e.g. during negotiations to renew contracts.*

It is clear that no uniform or more-or-less uniform approach exists in the timber growing industry. A further surprising factor is the general lack of consultation between growers and contractors as to what growers expect from their contractors in terms of transformation, goals and deadlines to be met.

*Experience inside and outside the forestry sector showed that the lack of business skills, financial discipline and control are the major reasons why businesses fail. A very small percentage of companies fail due to external factors beyond the owners and management's control.*

- *The grower, in co-ordination with the contractor, arranges for a mentor to be appointed (and paid for by the contractor).*
- *A mentor could be a growers' senior employee; an existing successful contractor; an outside expert; a management company; or a professional company.*
- *The duties of the mentor include training and assistance with-*
  - *Negotiating a contract*
  - *Financing applications*
  - *Record keeping*
  - *Human resource matters*
  - *Liaison with accounting firms*
  - *Ensuring statutory requirements are met (returns, tax, records)*
  - *Cash flow and working capital*
  - *Productivity improvements*
  - *Monitoring day-to-day operations*

## **2.3 Contractors**

The business of outsourcing forestry operations (to white-owned companies) has a history stretching over decades, but gained momentum during the 1980's. It took approximately a decade for the core of contractors to settle down to a stable situation. In the process many individuals tried their hand at establishing sustainable businesses, but the majority failed.

*The current successful white-owned companies have mostly a long history of experimentation and hardship. They survived and grew their businesses because of their skills in managing finance and people and their knowledge of business and forestry. The lessons learnt should not be ignored in the next phase of forestry contracting. It should form an integral part of the process of bringing black entrepreneurs into the business.*

*The requirement for these contractors to change is not only about finding black partners, black managers or funding, but also about the change in their mindset. As entrepreneurs they are mostly individualistic and autocratic when managing their businesses. It is thus a huge psychological barrier for them to accept partners that will have equal say in their businesses.*

### **3. Growers Strategy towards Contractors' BEE**

#### **3.1 Proposed Policies (Scorecard)**

*Growers should draft policies for BEE, outlining what is expected from contractors but also embark on programmes to assist them to overcome the barriers that will prevent successful transformation.*

#### **Balanced Scorecard**

Growers must thus develop their own unique strategies towards contracting within the framework set by the BBBEE Act 53.

Policy decisions must be made as to the targets that must be achieved, for example, for "Equity Ownership", the percentage of contracting companies that must be "black enterprises", "black empowered enterprises", "black women-owned enterprises". This is to be coupled to a time-frame stretching from 2004 to 2014. A weighting must be attached to each core component to indicate the relative importance of a component and to calculate progress.

From a long-term forestry industry perspective, it will most probably be the best strategy to draft an industry charter spelling out industry's vision for BEE by 2014. It is clear that Government is intent on expanding the concept of a charter from the existing few to all industries. Due to a relatively short period of ten years and some contractors working for more than one grower, a uniform approach is required towards transformation in the contracting environment.

#### **Policy Documents**

*Growers' policies must thus be determined at two levels:*

- *The growers' own BEE objectives – preferable via an industry charter;*
- *What is expected from contractors in terms of the measurement of BEE status and progress?*

*Typically a grower should adopt an in-house policy that deals with:*

- *General statement as to the purpose of BEE;*
- *Definitions regarding BEE;*
- *Scope of operations included;*
- *Responsibilities;*
- *Principles that apply;*
- *Procedure to be followed;*
- *Balanced Scorecard indicators, conversion factors, weighting and deadlines;*
- *Audit and monitoring implementation.*

*From the above, growers should develop a policy to measure the BEE status of a contracting company, when awarding a contract, during the contract period, and at the renewal thereof. This document will thus determine the methodology on what and how contracting companies will be rated.*

As this report cannot prescribe to individual growers the details of the policies they should adopt, it is suggested that stakeholders in the forestry industry, e.g. Forestry South Africa (FSA) and SA Forestry Contractors Association (SAFCA) meet and negotiate guidelines for black economic empowerment in the forestry contracting environment. The following are, however, proposed guidelines they should follow towards contracting companies:

## PROPOSED BALANCED SCORECARD FOR FORESTRY CONTRACTING COMPANIES

Core component of BEE	Indicators	Targets			Conversion Factor	Actual Contractor Performance	Raw Score	Weighting (%)	Total Score
		2006	2009	2014	2009				
1	<b>Equity Ownership</b>	Shareholding percentage by blacks	10%	25,1%	50,1%	4,0		20	
2	<b>Management</b>	Directors and Executive managers percentage	10%	25,1%	50,1%	4,0		20	
3	<b>Employment Equity</b>	Percentage HDI's supervisors to senior managers against total employees in this category	40%	60%	80%	1.7		25	
4	<b>Skills Development</b>	Percentage training expenses against total payroll	3%	3%	2%	33,3		15	
5	<b>Preferential Procurement</b>	Percentage procurement from black owned and empowered enterprises against total procurement expenses	5%	10%	15%	10,0		15	
6	<b>Enterprise Development</b>	Investment in black owned and empowered enterprises against total assets	0%	0%	0%	0		0	
7	<b>Residual</b>	Percentage expenditure of income on community social investment projects	1%	1%	1%	100,0		5	
	<b>Total</b>							100	

### **Criteria for Selection and Basis for Annual Audits**

*Growers need to be clear on what basis selection is done to award contracts, as well as what is expected of a contractor, alternatively what will be taken into account when auditing is done.*

*Criteria could be as follows:*

- *History of company re: stability, quality of service, technical knowledge, safety record;*
- *Financial position;*
- *BEE status (according to Balanced Scorecard);*
- *Price*

### **3.2 Actions to Assist Contracting Companies in Advancing BEE**

The following is a checklist of actions that growers should take to assist white contracting companies to transform and to assist emerging contractors to maturity:

- *Develop a policy based on the Balanced Scorecard to be achieved by 2014.*
- *Negotiate interim targets with contractors and request three to five year plans of how the targets will be achieved.*
- *Identify key issues and barriers per contractor, including the AIDS threat.*
- *Education of employees and contractors about the transformation process.*
- *Appoint a champion / facilitator to work with the contractors.*
- *Make resources available that will be helpful towards speeding up the process (training, assistance with funding applications, mentoring).*
- *Compile an audit checklist.*
- *Arrange quarterly reviews and annual audits to measure / encourage contractors' transformation progress.*
- *Arrange support structures (outside companies and experts) – especially to assist with developing business skills and financial management.*
- *Develop criteria for selection of the successful tender, including a skills audit of the individual(s) and psychometric testing to determine suitability as an entrepreneur(s).*
- *Award contracts with duration of at least three years, but preferably five years.*
- *Create an environment for a good working relationship between grower employees and contractors, in order to achieve a win-win situation.*

### **Possible Model for Successfully Introducing Black Contractors**

A possible model to be followed is as follows:

- Appoint a mentor or facilitator from own staff or from a management company to co-ordinate, assist, train and mentor a number of contractors on a full-time or ad hoc basis, make staff available or arrange to supply expert services such as:
  - Bookkeeping and record keeping;
  - Managing human resources;
  - Handling health and community issues;
  - Safety;
  - Mechanical maintenance
- Assist with funding or the arrangements to obtain funding for capital goods and working capital in the start-up phase.
- Involve, as much as possible, outside assistance, for example, forums, Department of Labour, Department of Trade and Industry, FIETA.

- Weekly one-on-one reviews by mentor and contractor according to a set agenda, generating written action logs to address issues identified. Aspects that should be reviewed are:
  - Income / expenses (budget against actual);
  - Cash flow (budget against actual);
  - Production (budget against actual);
  - Business issues such as productivity, human resources, safety, and equipment maintenance.
- The mentoring must be done against predetermined goals or clear key indicators, for example, a weekly volume that must be achieved.
- Funding for this model should be shared between growers as part of their responsibility in what government expects of them and contractors to ensure that there will be a demand for their services and to ensure sustainable businesses into the future.

## **4. Contractors' Strategy towards BEE**

### **4.1 Creating Company Structures for Empowerment**

#### **Own employees (Employee's trust)**

*The empowerment of own staff through shareholding in an existing contracting company must be addressed in a methodical and well-planned manner. The lower level and illiterate employees have normally not had any exposure in controlling companies, nor any knowledge of the responsibilities of shareholders and directors.*

- Shares should thus not be given to individuals, but an employee trust must be established to ensure that an individual cannot sell shares of the company at will.
- If possible, all employees should be included as beneficiaries of the trust to achieve the benefits of teamwork towards profit improvement.
- Trustees nominated by employees should control the trust. The chairman of the trust should be appointed as a director of the company. It is also advisable to invite an independent person (e.g. auditor, accountant, human resources expert) to serve as a trustee in a role of advisor and referee.
- It will therefore be necessary to draft unique documents such as Shareholders and Trust agreements. It should be done in consultation with the employees and with assistance from professionals (attorneys and financial experts).
- Provisions must be made for the trust to acquire more shares in the company and for the funding thereof, e.g. from dividends or improved profits.
- Training sessions dealing with the contents of the agreements and the running of businesses – especially the financial aspects, should be arranged.

#### **Individual and Non-Employee black partners**

*As with own employees, inviting partners – either individuals or empowerment groups – must be done in a methodical and well-planned manner. The forestry contracting industry (and other industries) has numerous examples of failures, as the basic and correct procedures were not followed.*

- A new company should be formed with the existing owners of a contracting company and the new partners as shareholders and directors.
- A unique Shareholders Agreement that fully covers the responsibilities, duties and rights of the shareholders should be drafted.
- Own equity is provided according to the shareholding of the partners.
- New funding is sourced and all shareholders must be committed. This obviously only applies if own equity is not sufficient.
- The method of transfer of shares in the future must be described as well as the time frame and funding thereof.
- The transfer of business knowledge and skills to the partners is agreed along with the remuneration to be paid to the existing owners.
- As this could be an "emotional model", it is advisable to appoint a non-executive director to act as a mediator and objective referee in issues of conflict between partners.

#### **Holding Company**

*An alternative approach could be for two or more contracting companies to form a holding company with shareholding according to the business worth of the subsidiaries:*

- The holding company should execute all business, including entering into contracts with growers.

- The holding company should have a Shareholders Agreement that fully spells out responsibilities, duties and rights of all shareholders.
- In addition, the subsidiary companies should sign agreements of understanding to regulate matters between them.
- Once a contract is awarded to the holding company, it will contract staff and equipment from the subsidiary companies.
- Other points, as described above, should further be taken into account to regulate the relationships between partners.

## **4.2 Funding**

### **Business Plans**

*All financial institutions require detailed business plans when considering applications for loans.*

Compiling a Business Plan is a very detailed and complicated process and it is advisable to use outside assistance – often available from the financial institution itself.

Although it may appear to be a very time consuming activity, it is a necessity. A well-compiled document will not only improve the chance for a loan to be granted, but it forces the applicant to do a thorough analysis to come to a better understanding about the current and future status of the business.

### **Commercial Banks**

All the major banks, i.e. ABSA, Standard, First National and Nedbank groups are involved in financing small businesses and empowerment efforts.

Requirements for loans vary from institution to institution and individual approaches must be made.

### **The IDC**

The IDC is a self-financing, State-owned development finance institution with the mandate to be “the government’s implementation agent in economic development and job creation in SA”. The IDC’s BEE mandate is to provide finance and access to equity for the transfer of ownership, management and control of enterprises to established and emerging entrepreneurs from black communities.

The IDC’s Empowerment Strategic Business Unit (SBU) and the Wholesale and Bridging Finance SBU are almost exclusively dedicated to financing historically disadvantaged entrepreneurs and contributing to the rapid advancement of empowerment.

### **Khula**

Khula’s mission is to ensure improved availability of funding and equity to small businesses by offering loans, guarantees and seed funds.

Khula Loans provides financial support and services, including business loans, capitalisation loans, seed loans, institutional capacity building and mentorship. Khula Credit Guarantee provides a range of guarantee products to registered commercial banks and other private-sector financial institutions that offer financial services. The guarantee scheme is based on a risk-sharing arrangement, with Khula assuming a portion of risk associated with lending.

## **DTI**

The government, via the Department of Trade and Industries, offers a variety of grants to companies to become more viable and more competitive. One such programme is the Black Business Supplier Development Programme (BBDSP). It is an 80 : 20 cost-sharing, cash grant incentive scheme, which offers support to black-owned enterprises in South Africa. The scheme provides companies access to business development services in order to assist them in improving their core competencies, upgrading managerial capabilities and restructuring to become more competitive.

## **5. Development Plans for Individuals**

### **5.1 Results from Psychometric Testing**

*The brief was the 'identification of individual entrepreneurial skills within established contractor businesses, for the purpose of mentoring and development of the identified talent'.*

#### **Background on Tests Used**

##### **Human Job Analysis (HJA)**

A human job analysis report indicates the ideal behavioural profile for a particular work position. This is represented in the form of four Dimensions, namely Dominance, Influence, Steadiness and Compliance (DISC). The form used to compile the HJA consists of 24 statements relating to a particular role. The manager who then completes the form must rate each question thinking of the job being performed most successfully. The ratings are Very Low, Low, Significant, High or Very High.

##### **The Personal Profile Analysis (PPA)**

The Personal Profile Analysis system attempts to determine whether individuals see themselves as characteristically seeking out and / or reacting to work place situations that they perceive as friendly or challenging and to reveal if the response pattern is one of activity or passivity. The Personal Profile is a self administered forced choice adjective checklist consisting of 24 combinations of descriptive words from each of which applicants are asked to select which they believe describes them most and which least. Each combination relates to one of four dimensions – Dominance, Influence, Steadiness and Compliance (DISC).

Below are examples of observable behaviour relating to the four dimensions:

	High Dominance	High Influence	High Steadiness	High Compliance
Observable Behaviour	<ul style="list-style-type: none"><li>• Tries to take over</li><li>• Will interrupt</li><li>• Restless</li><li>• Impatient</li><li>• Points fingers</li></ul>	<ul style="list-style-type: none"><li>• Very enthusiastic</li><li>• Friendly</li><li>• Lots of hand movements</li><li>• Tells stories</li></ul>	<ul style="list-style-type: none"><li>• Good listener</li><li>• Relaxed and kind</li><li>• Resists change</li><li>• Non-aggressive</li></ul>	<ul style="list-style-type: none"><li>• Will write notes</li><li>• Precise</li><li>• Cautious in expressing feelings</li><li>• Asks for information / detail</li></ul>

The individual PPA was compared to the Human Job Analysis behavioural profile to establish the suitability as an entrepreneur.

## **Tests for Selection and Training (TST)**

The TST system is an example of the very latest and most advanced normative aptitude tests available. TST's maintain all the positive attributes of traditional IQ assessments. Whereas IQ is an education-based indicator, TST's have been developed specifically for the workplace and are able to assess fluid intelligence and indicate learning ability. The TST system is relevant to work roles at all levels. The TST then gives an indication of people's ability to be trained and their potential to learn new information, tasks or skills.

The acquired knowledge demands of the TST tests are not more than functional literacy and numeracy. The tests, thus designed, may be the very few ever designed to satisfy the more obvious needs of employers who pursue equal opportunity policies in selection and training. They may also be described as minority conscious; that is they are constructed in such a way as to minimize the effects of educational disadvantages that are shown to be associated with achievement test performance and minority group status.

The TST consists of five sub-tests:

**Feature Detection (FD)** – This task asks the candidate to compare and to report on the number of same vertically arranged pairs of letters in upper or lower case by circling the correct number. This is a general literacy assessment; it shows potential to deal with words and checking for error and accuracy.

**Reasoning (RE)** – Candidates have to read and comprehend simple sentences and then answer a question on them. The questions test their power to make inferences: in other words, their ability to reason from information provided and to draw conclusions. This test is relevant to all levels of problem solving and decisions making.

**Number Speed & Accuracy (NSA)** – This exercise is based on two simple processes; ordering three numbers in high-low sequence and then discovering whether the highest or lowest of the numbers is further away from the number that remains. Efficient performance depends on fluent elementary numeracy and on being able to remember the outcome of two simple calculations in order to compare them. This test looks at the potential to deal with and learn by numbers, mental agility, logical analysis and systematic thinking.

**Working Memory (WM)** – In this test candidates indicate which of two marked letters is further away from the unmarked letter, using the order of letters in the alphabet as the memory framework. This test looks at concentration and attention span, the retrieval of relevant and work related content and focusing on the task at hand.

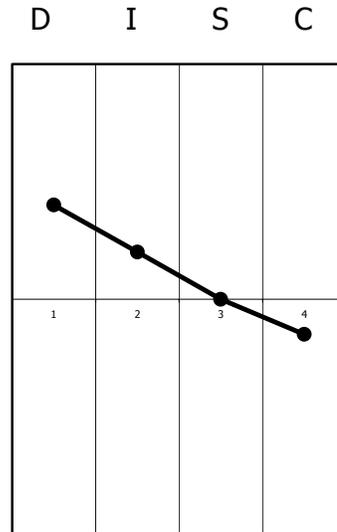
**Spatial Orientation (OR)** – Candidates must compare shapes that have been rotated through a number of right angles and state whether they are identical or mirror images. This test looks at the potential to deal with shapes, technical detail, mechanical logic and the potential to learn and understand forms, shapes, figures and diagrams.

## **Results**

It should be borne in mind that when comparing a person's profile with a Human Job Analysis, all biographical data should also be taken into account when considering the overall assessment.

- a) The HJA report shows that the ideal candidate would have a high level of dominance and influence, slightly lower steadiness and even lower compliance.

Behavioural Profile from HJA Graph



The competences required by the job-holder should include the ability to:

- Provide satisfactory solutions in situations involving the new and unexpected.
- Focus and drive to achieve targets, budgets and results.
- Be a self-starter in order to complete tasks and overcome problems as well as providing direction for others.
- Focus on results and willingly tackle problems or conflict which threaten their successful achievement.
- Be confident when dealing with uncooperative people and encourage them to implement imaginative solutions to challenging problems.
- Lead, encourage, develop and support others in order for them to attain their objectives.
- Work persistently when gathering information and seeking solutions to problems.
- Develop competence and expertise.
- Be firm and persistent when expressing views, and present concepts and ideas to overcome problems once the situation has been carefully evaluated and discussed.

*The Human Job Analysis indicates that an important requirement of the job is influencing, persuading and negotiating in administrative, specialist or technical areas where a profitable end result is vital. The role requires a person who enjoys a challenge and will take direct and positive action within areas of knowledge and expertise. Organisation, freedom to act and authority to make decisions should be vested in this position. The job occupant should be a direct self-starter, friendly, self-confident, persistent, methodical, predictable, firm and prepared to take a stand when a result depends upon it.*

- b) The PPA reports that were generated assess the individual. The report identifies their frustrations and stresses, it details their motivations and fears, it assesses the individual's self-image, work strengths, self-motivation and comments on job emphasis and the ideal boss.
- c) A 'Person to Position Comparison' report was then generated. This describes the job requirements as given in the HJA and gives comments on the strengths and

weaknesses of a candidate when compared with the job. It also gives a 'goodness of fit rating', ranging from 1 – 5; 1 being an excellent fit to 5 being a poor fit.

- d) The TST assessments were then scored. The results are given as number of questions answered per assessment, number of questions answered correctly per assessment and then a percentile. It also shows their results for accuracy and speed per assessment.

There are four programmes one can choose from when administering TST. For example, programme one has been developed to assess legal, human resources, administrative and customer support personnel, amongst other roles. Programme Four is structured to assess graduates and executives in senior supervisory and management positions; because it includes all five of the assessments it can be used to give an indication of the overall profile of an individual. This can be used for career guidance; development; to determine the strengths and limitations of the profile; to get an indication of future development potential; and to determine the placement of an individual in the right job. Programme four was administered in this case.

The majority of the results were very low. It is important to note that this does not mean that the candidates are not trainable. It simply means that these candidates will need a lot more time longer to train and they will need a lot of coaching and mentoring, and a lot of patience.

The Human Job Analysis Fit was 5 for all candidates, except for one. This means that behaviourally speaking, they are not a suitable match for the job as shown in the HJA report.

With regards to the TST assessments, the majority of the reasoning and working memory assessments were invalid. This is either due to the fact that their speed in answering the questions was very low but with good accuracy, or they were inaccurate but very fast in answering the questions, or in some cases they were both slow and inaccurate in answering the questions.

### **Development Plan**

The development of candidates should be done in phases.

In **Phase 1** the candidates would go through a development plan. They would get set-up in a fully-fledged business, ensuring all statutory regulations are in place. During this phase candidates would be coached and mentored, and not left to fend for themselves. After a training and development intervention, it is important to administer another Needs Analysis and look at the performance gaps that may still exist. Progress needs to be monitored, followed by coaching and feedback to the candidates.

**Phase 2** would be a business simulation exercise that would need to be presented to a training committee. It would involve the candidates presenting income statements, budgets, etc. If it is felt that the candidates understanding are of a suitable standard, they would then be signed-off as competent.

**Phase 3** would then involve the candidates running the businesses with the help of a mentor / coach.

## **5.2 Coaching and Mentoring**

With regard to the generally low TST results, the candidates are trainable, but will need a lot of coaching and mentoring in order for them to achieve the managerial level required.

**Coaching** – has a major role to play in today’s organizations. Coaching can be introduced into the organization as a way of reinforcing learning, as well as a cost-effective way of developing skills, knowledge, behaviours or attitudes.

For coaching to work effectively, people need to be trained to coach. The scale and scope of this may be an important investment, but one which will have far-reaching implications for the future success of the organization.

The personal profile analysis reports (PPA’s) can be used to assist with coaching and mentoring.

**Identify the behavioural preferences of the individual and then use the do’s and don’ts to modify your behaviour to respect the person’s style.**

	<b>High Dominance</b>	<b>High Influence</b>	<b>High Steadiness</b>	<b>High Compliance</b>
<b>Observable behaviour</b>	<ul style="list-style-type: none"> <li>• Tries to take over</li> <li>• Will interrupt</li> <li>• Restless</li> <li>• Impatient</li> <li>• Points</li> </ul>	<ul style="list-style-type: none"> <li>• Very enthusiastic</li> <li>• Friendly</li> <li>• Lots of hand movements</li> <li>• Tells stories</li> </ul>	<ul style="list-style-type: none"> <li>• Good listener</li> <li>• Relaxed and kind</li> <li>• Resists change</li> <li>• Non-aggressive</li> </ul>	<ul style="list-style-type: none"> <li>• Will write notes</li> <li>• Precise</li> <li>• Cautious in expressing feelings</li> <li>• Asks for information / detail</li> </ul>
<b>Do</b>	<ul style="list-style-type: none"> <li>• Let them discover things for themselves</li> <li>• Focus on business</li> <li>• Argue facts not feelings</li> <li>• Negotiate</li> </ul>	<ul style="list-style-type: none"> <li>• Talk opinions and ideas</li> <li>• Ask how they’re feeling</li> <li>• Summarise in writing what is agreed</li> <li>• Recognise their ideas</li> <li>• Build relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Use a steady pace</li> <li>• Ask questions and listen</li> <li>• Be interested in him/her as a person</li> <li>• Support their ideas</li> <li>• Offer guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Be systematic and organized</li> <li>• List advantages and disadvantages</li> <li>• Give things in writing</li> <li>• Provide proof</li> </ul>
<b>Don’t</b>	<ul style="list-style-type: none"> <li>• Tell them what to do</li> <li>• Give too much detail or use too many rules</li> <li>• Take too long to do things</li> </ul>	<ul style="list-style-type: none"> <li>• Argue facts without feelings</li> <li>• Allow them to lose respect or self-worth</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce rapid change</li> <li>• Change routine or environment</li> <li>• Rush them</li> </ul>	<ul style="list-style-type: none"> <li>• Rush decisions</li> <li>• Make sudden changes</li> <li>• Leave out the details</li> <li>• Be too general</li> </ul>

**Mentoring** – is less proactive than coaching. Mentors are normally senior people who offer support to individuals in the organization. This support is normally given when requested. The mentor can be used as a means of helping individuals identify their training needs, or in providing a sounding board for individuals to talk through their career development.

## **5.3 Literacy and Numeracy Training**

It is suggested that a number of candidates would need to have literacy and numeracy training before they could go on to Business Management Development.

Language, literacy and communication are intrinsic to human development and central to lifelong learning. Language and language learning empower people to:

- Access education;
- Access information;
- Negotiate meaning and understanding;
- Think and express their thoughts and emotions logically, critically and creatively; respond with empathy to the thoughts and emotions of others;
- Interact and participate socially, politically, economically, culturally and spiritually;
- Understand the relationship between language and power and influence relationships through this understanding;
- Develop and reflect critically on values and attitudes;
- Use standard forms of language where appropriate.

Initially literacy was seen as a cognitive process that enables reading, writing, and numeracy. Currently the use of the term literacy has expanded to include several kinds of literacies. 'Literacies' stresses the issue of access to the world and to knowledge through development of multiple capacities within all of us to make sense of our worlds through whatever means we have, not only texts and books.

Examples of kinds of literacies:

- Cultural literacy – Cultural, social and ideological values that shape our 'reading' of texts.
- Critical literacy – The ability to respond critically to the intentions, contents and possible effects of messages and texts on the reader.
- Visual literacy – The interpretation of images, signs, pictures and non-verbal (body) language.
- Media literacy – The 'reading' of, for example, TV and film as cultural messages.

#### **5.4 Business Management Courses**

Outlined below is a list of topics that should be covered in a business management course for candidates. The course should teach practical, hands-on skills for the contractor to use, but at the same time it is important to teach them about the benefits of working with and using experts, such as accountants or a business advisor.

1. Managing human resources
2. Financial record-keeping
3. Financial analysis
4. The financial plan
5. Equipment management
6. Deciding when to replace equipment
7. Purchasing vs. leasing equipment
8. Using professionals to help you run your business
9. Information Technology and becoming computer literate
10. Self-sufficiency
11. General management tools

## 6. Summary and Recommendations

Objective	Strategy	Action Plan	Responsibility
Black empowerment of grower companies	Compile a strategy and policy. (Alternatively an industry charter).	Decide how a grower will implement the requirements of the Broad Based Black Economic Empowerment Act, with regards to: <ul style="list-style-type: none"> <li>• Equity Ownership</li> <li>• Management</li> <li>• Employment Equity</li> <li>• Skills Development</li> <li>• Preferential Procurement</li> <li>• Enterprise Development</li> <li>• Other applicable aspects</li> </ul>	Growers or FSA
Policy for contractors	Compile a policy that will be applied to service providers such as forestry contracting companies and negotiate outcomes and deadlines.	Establish how contracting companies will contribute to a grower company's strategy in terms of the BBBEE Act with regard to: <ul style="list-style-type: none"> <li>• Scope of the operations / suppliers to be included</li> <li>• Responsibilities</li> <li>• Procedures to be followed</li> <li>• Balanced Scorecard</li> <li>• Audit and monitoring procedure to establish progress.</li> </ul>	Growers
Selection of contractors	Criteria for selection of service providers (contracting companies)	Set criteria that will be used: <ul style="list-style-type: none"> <li>• Stability of the company</li> <li>• Quality of service</li> <li>• Technical expertise</li> <li>• Safety / environment</li> <li>• Financial strength</li> <li>• BEE status in terms of grower policy (Balanced Scorecard)</li> <li>• Price of service</li> <li>• Statutory compliance</li> </ul>	Growers
Support structures	Decide what support will be given to service providers regarding BEE	Based on the agreed policy and criteria for selection and auditing: <ul style="list-style-type: none"> <li>• Negotiate interim targets</li> <li>• Request three to five year plans on how BEE is going to be achieved by the contracting company</li> <li>• Identify and address key issues and barriers that will hamper progress. Appoint a champion / facilitator to manage the process.</li> <li>• Make own resources available that will be helpful towards speeding up of the process of transformation.</li> </ul>	Growers

		<ul style="list-style-type: none"> <li>• Arrange for outside mentors / experts to assist contractors</li> <li>• Do quarterly reviews / audits to measure transformation progress.</li> <li>• Award longer term contracts (three to five years)</li> <li>• Create an environment for a good working relationship between grower and contractor employees.</li> </ul>	
Black empowerment by service providers / contracting companies	Create company structures for empowerment	<p>Form an employee trust to take up shareholding:</p> <ul style="list-style-type: none"> <li>• Employees to become beneficiaries</li> <li>• Elect trustees from employees</li> <li>• Formalize the process with signed trust deeds and shareholder agreements</li> <li>• Provide for increase in employee (trust) shareholding in the future</li> <li>• Train employees in the contents of the agreements and business skills.</li> </ul> <p>Select and invite black partner(s) to invest and take up shareholding:</p> <ul style="list-style-type: none"> <li>• Form a new company</li> <li>• Enter into a shareholders agreement</li> <li>• Agree funding arrangements, increase of shareholding and transfer of business / technical knowledge to new partners(s), or enter into an arrangement with black contracting companies to become subsidiaries of a new holding company.</li> </ul>	Contractors
Funding of ventures	Obtain sufficient funding for assets and working capital	<p>Compile a business plan that will address the following issues in detail:</p> <ul style="list-style-type: none"> <li>• Business overview</li> <li>• Management</li> <li>• Market</li> <li>• Sales / Marketing strategy</li> <li>• Financial projections</li> <li>• Legal and statutory issues</li> <li>• SWOT analysis and risk / reward assessment</li> </ul> <p>Obtain funding via:</p> <ul style="list-style-type: none"> <li>• Own investments (equity)</li> <li>• Loans from commercial</li> </ul>	Contractors

		<p>institutions</p> <ul style="list-style-type: none"> <li>• Government grants</li> <li>• Creditors</li> <li>• Advance payments from growers.</li> </ul>	
Development of black shareholders / managers	<p>Selection of candidates</p> <p>Determine training needs</p> <p>Design development plans and implement (goals and deadlines)</p>	<p>Select suitable candidates for development, i.e. by using psychometric testing:</p> <ul style="list-style-type: none"> <li>• Personal profile analysis</li> <li>• Human job analysis</li> <li>• Tests for selection and training, as well as experience, knowledge, business track record, etc.</li> </ul> <p>Establish the training and development needs of each candidate:</p> <ul style="list-style-type: none"> <li>• Literacy and numeracy</li> <li>• Managing human resources</li> <li>• Financial record keeping</li> <li>• Financial analysis</li> <li>• Financial planning</li> <li>• Equipment management</li> <li>• Replacing equipment</li> <li>• Purchasing and leasing</li> <li>• Using professionals</li> <li>• Information technology / computers</li> <li>• Self sufficiency</li> <li>• Management tools (communication, problem solving, decision making, meetings, negotiation, time management, etc.)</li> </ul> <p>Decide how the needs for training and development will be addressed (Phase 1)</p> <ul style="list-style-type: none"> <li>• Courses</li> <li>• Mentoring</li> <li>• Practical assignments</li> <li>• Job rotation</li> </ul> <p>Evaluate a candidate's ability to manage a business (Phase 2):</p> <ul style="list-style-type: none"> <li>• Business simulation exercise on own business</li> <li>• 'Sign-off' as competent</li> </ul> <p>Place candidate in charge of an operation (Company) with further mentorship and coaching (Phase 3).</p>	Contractors

## **Contact Details**

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