



**The impact of Broad Based Black Economic Empowerment employee
share schemes.**

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Abstract

Organisations are continuously re-engineering human resource strategy in order to attract, motivate and retain the best possible talent possible. This is a continuous process because strategies are quickly copied and replicated within industries. Share schemes have been used over a long period of time to attract, motivate and retain employees. The dawn of democracy in South Africa has seen the introduction of broad based black economic empowerment share schemes in a number of organisations. Organisations implemented these share schemes not only to improve BEE score rating but to motivate and retain employee.

This research studies the impact that B-BBEE share schemes have had on employee motivation and retention at a South African organisation.

Keywords

- B-BBEE share scheme
- Motivation
- Retention

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Makgola Makololo

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Ke a leboga!

Dedication

This research is dedicated to the memory of my brother, Ross Rankapole. Even in spirit, you continue to be an inspiration and it is through works like this MBA that I am ever trying to match your genius and to ensure your legacy lives on. We still miss you.

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Abbreviations

BEE	- Black Economic Empowerment
B-BBEE	- Broad-Based Black Economic Empowerment
ESOP	- Employee Share Ownership Plan
JSE	- Johannesburg Stock Exchange

Chapter 1: Introduction to the Research Problem

1.1 Introduction

The intention of this research is to understand the impact of employee Broad-Based Black Economic Empowerment (B-BBEE) share schemes on employee motivation productivity, loyalty and other factors. There have been various studies on the impact of employee share schemes on organisational performance, employee motivation, productivity, retention and others. Most of the studies were on listed company shares that are usually afforded to senior managers and executives to motivate and also align their interests with that of the shareholder.

Since the introduction of black economic empowerment, in South Africa, a number of share schemes have been introduced, by a number of South African organisations, to try and better their BEE score rating. In the process, employees were issued with shares, making them participants in a trust. The intention of this research is to study if the B-BBEE shares have had a similar impact as other employee share schemes on employee motivation, productivity and retention

1.2 Research aim

Organisations spend a considerable amount of time and money trying to understand how to identify, attract, motivate and retain talent. Over the years, there has been an evolution in the understanding of human resource strategies, and a number of theories have developed. Of particular interest in this research, is the retention of black talent, in a South African context.

As a result of the apartheid history of South Africa, the democratic government has introduced quota requirements to have certain levels of representation of people from previously disadvantaged backgrounds in an organisation (B-BBEE, 2003). The complexity of this requirement is that the pool of black talent is relatively very small, due to the poor level of education that was previously afforded to disadvantaged groups. The resultant force has been a fierce competition among organisations over this limited talent which has stimulated the migration of black talent across organisations and across the world. Organisations, therefore, have tried different human resource strategies to try and keep this pool of talent engaged and motivated. In recent years, one of the most common methods in South Africa organisations has been the introduction of broad-based economic empowerment employee share schemes. The intent of the B-BBEE share schemes have been:

- to help to improve companies' black economic empowerment rating in order to get government contracts
- to make employees, as stakeholders, to align their interest

There have been various views about the sustainability and effectiveness of black economic empowerment in South Africa. There has been suggestion that black economic empowerment has yielded passive black shareholders than promoting a more economically active and productive black workforce (DTI, 2012). As expressed by the Minister of Trade and industry, the broad based black economic empowerment Codes of Good Practice have to be amended to “..provide a more effective tool to support and encourage empowerment in the productive sense of the word, involving black people participating in the economy as leaders as well as player in established companies, as well leaders of established entrepreneurial in nature.” (BEE must involve active empowerment, 2012”)

On the contrary, others have voiced that the current model of black economic empowerment has produced very limited results and has not really contributed

to poverty alleviation. The current model of BEE is said to have created “..an upper class of wealthy black investors who funded their wealth with debt through the acquisitions of shareholding in successful white or international businesses” (Phosa: BEE not working, 2012). This model of empowerment is said to basically move wealth from white hands into black hands and not necessarily creating new wealth.

1.3 B-BBEE shares as a retention tool

The South African government has attempted to redistribute wealth or increase economic participation of previously disadvantaged individuals through the implementation of Black Economic Empowerment (BEE) Act. The BEE code was mostly criticised for benefiting a select or narrow number of black people, and thus the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice were introduced for a number of sectors in order to be more inclusive and beneficial to a greater society. A B-BBEE Code of Good Practice was developed for each sector and only the code in the mining sector is legally binding at present. The Broad-Based Black Economic Empowerment (B-BBEE) Code of Good practice was launched to redress inequality created by apartheid by giving preferential opportunities to groups that were previously denied access to participate in the economy, i.e. Africans, Indians and coloureds.

One of the elements of the B-BBEE Code of good practice is ownership. Organisations have addressed this element through the introduction of employee share schemes. The shares are issued to employees of all levels from previously disadvantaged background and administered through an employee trust or foundation and locked in for a period of time where they cannot be traded. This means that, for a period ranging from five to ten years, the employees cannot sell the shares to other parties. Some of the popular schemes that were launched since 2008 in South Africa include Sasol Inzalo (Sasol), Batho Bonke (ABSA), Eyethu (Nedbank), Phuthuma Nathi (Multichoice), YeboYethu (Vodacom), Masongwe (African Bank) and others. The

beneficiaries of the B-BBEE share schemes were employees of previously disadvantaged groups of all levels, unlike traditional share schemes that are usually reserved for senior managers and executives.

The interest in this research is in understanding the impact of issuing these B-BBEE shares, other than improving BEE ratings, on employees. The research is intended to understand if, other than improving the companies' BEE ratings, the introduction of B-BBEE share schemes has assisted companies with the retention, motivation and productivity of black talent since the employees are now part-owners. The research distinguishes between B-BBEE share schemes and other share schemes that are usually afforded exclusively to senior managers and executives.

Agency theory suggests that human beings by their very nature are self-serving beings and thus tend to look out for their own interest before serving any other (Shapiro, 2005). This theory is often illustrated by saying that managers do not run organisations as efficiently as they would do if they were the shareholders of the company themselves. However, in his study Jones (2007) found no statistical evidence of that.

1.4 Purpose of the study

The research is intended at investigating if these schemes have led to any other additional benefits as suggested by Agency theory, in that employees now work harder since they now own a share of the company and hence have a lot more at stake. The research will study the impact on motivation, productivity and retention of employees.

1.5 Definitions

B-BBEE – “broad-based black economic empowerment” means the sustainable economic empowerment of all black people, including in particular women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies that include, but are not limited to:

- (a) increasing the number of black people that manage, own and control enterprises and productive assets
- (b) facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises
- (c) human resource and skills development
- (d) achieving equitable representation in all occupational categories and levels in the workforce
- (e) preferential procurement, including the promotion of local content procurement
- (f) investment in enterprises that are owned or managed by black people (DTI, 2011)

“Previously disadvantaged” - “means a South African citizen –

- i. who, due to the apartheid policy that had been in place, had no franchise in national elections, prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) (“the Interim Constitution”); and/or
- ii. who is a female; and/or
who has a disability:” (Preferential Procurement Regulations, 2001)

Chapter 2: Literature Review

2.1 Talent Management

Talent management is a process which entails workforce planning based on business needs, recruitment of highly talented individuals, talent gap analysis in order to establish areas of concern, staff development and training, retention of talented individuals, talent review, and succession planning for key positions, promotions and performance management (McCauley & Wakefield, 2006).

Collings & Mellahi (2009, p. 304) define talent management as “activities and processes that involve the systematic identification of key positions, which differentially contribute to the organisation’s sustainable competitive advantage, the development of a talent pool of high potential and high-performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organisation”.

Key positions in this context do not necessarily refer only to top management positions, but includes positions at lower levels that may be essential for the optimal functioning of the business. Talent management, therefore, should be at the core of any organisation’s strategy to ensure that the organisation is capacitated to perform optimally and deliver on its objectives

The war for talent and skills in the world is a fierce one particularly with globalisation being a key driver for growth in most industries. Fasset (2008) shows that as at the beginning of 2007, about 23% of chartered accountants who registered with the South African Institute of Chartered Accountants (SAICA) were working outside of South Africa. The demand for talent is so high that employers can no longer take it for granted that employees will remain loyal and local (Rice, 2007). To remain competitive and relevant, companies have to be engaged and actively manage their pool of talent (Rice, 2007). With the

number of people in the 16- 54 age group declining in China, Japan and Germany, the war for talent is bound to intensify on a global scale (Rice, 2007).

As a result, organisations are continuously searching for competitive talent management models that can attract and retain top talent. In a fast changing environment, differentiating strategies for human resources are quickly copied, and organisations have to go back to the drawing boards to find innovative ways to attract, motivate and retain top talent. Traditionally, elements used to motivate and retain talent are meaningful work, responsibility, recognition and rewards (Koetser, 2007).

Ready, Hill, & Conger (2008) present a framework for attracting and retaining talent in organisations. This is demonstrated in figure 1 below. This framework shows that in managing their careers, employees look for a company with a clear purpose, brands that live up to their promise, opportunity to grow and a culture that they can connect with (Ready et al., 2008). In particular, opportunities are defined as challenging work, career fast track, continual training and development and competitive pay (Ready et al., 2008). Koetser (2008) cites Harris & Brannick (1999), in that organisations need to consider other benefits, other than financial, in packaging their employee the value proposition. In the study of management practices for retaining top talent, Koetser (2008) identifies rewards in the top three elements to use strategically to retain talent.

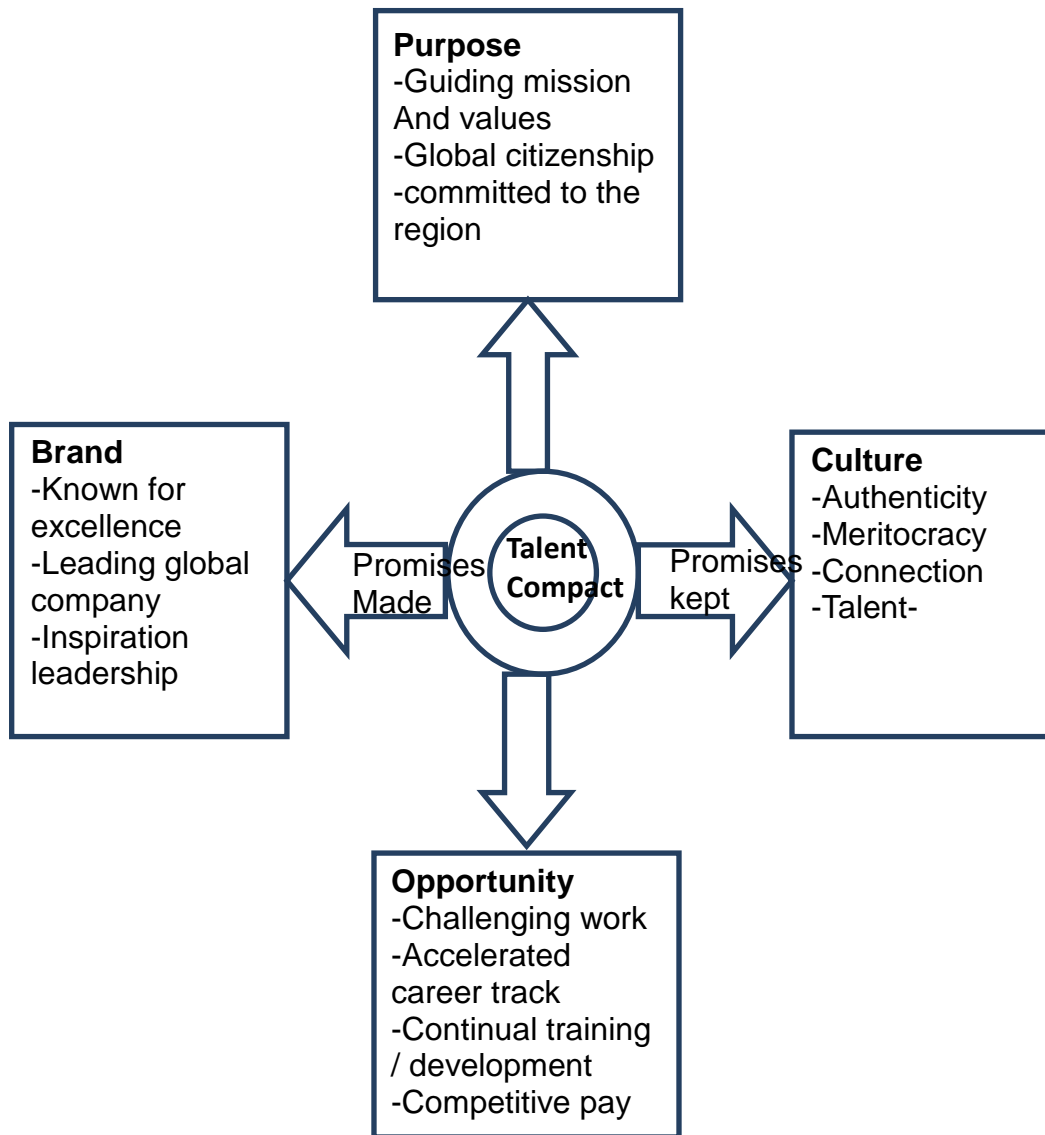


Figure 1: A framework for attracting and retaining talent

(Source: Ready et al., (2008). A framework for attracting and retaining talent)

2.2 Employee motivation

According to Ude & Coker (2012), motivation starts when individuals realise that they have needs and expectations that they want to accomplish; which results in a driving force or behaviour to achieve these goals. Attaining these goals leads to a feeling of fulfilment which then leads to individuals becoming more productive (Ude & Coker, 2012).

The probability of being able to motivate your employees to stay is also determined by the experience that the employee has the minute they walk through the door (Vansickle, 2012). Vansickle (2012) also emphasises the importance of matching people to the right job in the first place.

Milne (2007) says that understanding what motivates employees is a key challenge for managers. Even though, it is difficult to motivate people directly, it is still important that managers know what it is that employees are motivated to do and how to influence that motivation with the aim of having employees link their benefit with that of the organisation (Milne, 2007). The intention in learning employee motivation should therefore be that the motivating factors of the employees can be aligned with the benefits of the organisation.

Rebrov (2012) states that the factors that influence workers' motivation are of interest to managers, because finding new ways to stimulate the labour behaviour is highly relevant. In the study of workers' motivation, Rebrov (2012) found that characteristics such as age, gender and employment length had little influence on the structure of an employee's motivation. Rebrov's (2012) study showed that, in Russia, it is meaningless to analyse a worker's motivation without considering the rank because the various levels of workers have significant differences in motivational factors. Rebrov (2012) also found that the motivational factors of workers tend to change as their educational qualifications rise wherein workers start looking for more responsibilities and independence.

Musselwhite (2011) asserts that managers need to find other ways of motivating employees other than financial. Musselwhite (2011) argues that people, who have less say in how the goals are accomplished, find their work less meaningful; compared to employees who feel ownership of their work, who find their work to be much more meaningful. Musselwhite (2011) states the steps that managers can take to motivate and keep employees engaged, which include:

- Getting acquainted with staff.
- Encouraging employees to ask questions about current assignments and offering them support.
- Listening to employees and having a good knowledge of their skills and abilities.
- Being open to inputs from subordinates and using their input.
- Delegating more and establishing cross-functional teams.
- Having clear expectations and providing regular and good feedback.
- Setting goals and acknowledging good performance.
- Rewarding outstanding performance openly and with more than just money.
- Celebrating and congratulating good performance.
- Most importantly, emulating the behaviour that is expected in people – lead by example (Musselwhite, 2011).

Du Toit, Van Staden & Steyn (2011) conducted a study on what are key motivating factors for future knowledge workers in South Africa. Knowledge workers are seen as the key to company competitiveness in the future as they are seen to be creative and innovative (Du Toit *et al.*, 2011). The study found that 87.6% of the respondents showed that challenging work assignments were the greatest motivating factor for knowledge workers. Monetary reward was the second motivating factor, with 80.3% of respondents showing a preference for monetary rewards over other factors such as autonomy and personal growth (Du Toit *et al.*, 2011). Even in considering the needs of future workers, it is evident from the study that financial rewards continue to be relevant for employees.

2.3 Employee Productivity

Productivity can be defined as a measure of product efficiency in a given period of time (Ude & Cocker, 2012). Improvements in productivity can be realised through improved process or system design, using more efficient machinery

and equipment, improved skill level and effectiveness. Improvement in productivity being sought for this research is that of improved effectiveness of employees. In their study, (Sengupta, Whitfield & McNabb, 2007) found that there was positive correlation between companies with shares schemes and employee productivity.

Kefgen (2007) found that differences in organisational design affect the feasibility and effectiveness of various monetary incentives as much as employees' varying preferences for different incentives. Kefgen (2007) therefore advise that organisations need to gain insight into these issues before implementing various schemes. They further found that the pay-for-performance schemes that link organisational performance to employee financial rewards were more effective. The pay-for-performance schemes are linked with greater productivity and improved organisational performance Kefgen (2007).

In their study, Sengupta *et al.*, (2007) found a positive association between employee share ownership with both labour productivity and financial performance.

2.1.3 Employee retention (loyalty)

Lanchance (2000) in Milne (2007) asserts that factors that bind employees to a company have more to do with how the employee is treated at work than the employee being given a particular pay scheme. Lanchance in Milne (2007) also suggest that even though employees work to get financial rewards, they stay with the company for many other reasons. Managers therefore need to find ways to identify these other factors and package them as part of the reward system (Milne, 2007). This means, therefore, that managers have to be engaged, present and pay attention to the things that keep employees in the organisation. A significant part of that is giving people direction and purpose in all their assignments and acknowledging achievement when goals are met.

2.4 Impact of employee shareholding on employee motivation

Jones (2007) conducted a study on the difference in performance between companies listed on the Johannesburg Stock Exchange that are managed by the owners and those that are not run by the owners. The intention was to evaluate if there is a link between ownership structure and company returns (Jones, 2007). The study did not find statistically significant differences in the returns of the two types of ownerships but rather found that the make-up of the returns is what differed.

Gilbert (2005) presented a number of potential advantages for employees, shareholders and the organisation as:

Table 1: The Potential advantages of employee share ownership plan

The potential advantages of an EMPLOYEE SHARE OWNERSHIP PLAN		
COMPANY	STOCKHOLDERS	EMPLOYEES
<ol style="list-style-type: none"> 1. Substantial tax savings 2. Corporate Perpetuation 3. Cash flow increased 4. Pre-tax dollars repay debt 5. S corporation stock owned by an ESOP is not subject to federal tax 6. Tax-deductible dividends 7. Net worth increased 8. Provides a match on employees' 401(k) deferrals 9. Justifies accumulated retained earnings 10. Buy/sell agreements funded with pre-tax earnings 	<ol style="list-style-type: none"> 1. Creates liquidity at fair market 2. Control maintained (if desired) 3. "Tax-free rollover" treatment available to sellers in closely-held companies 4. Establishes valuation and provides liquidity for estate tax purposes 5. Selling stockholder-employee participates in ESOP if the "tax-free" rollover not elected 6. Selling shareholders excluded from ESOP participation can be "made whole" by the corporation 7. Additional equity incentives still available (stock option, bonus, purchase, phantom stock, etc.) 	<ol style="list-style-type: none"> 1. Employees share directly in equity growth of company 2. ESOP employer contributions tend to be larger than profit sharing contributions 3. Proven motivator. Builds unity and team spirit. Retains key employees 4. Accounts accumulate tax-free. Tax favored at distribution 5. Employees can realize dividend income 6. Buy/sell agreements insure future employee ownership through the ESOP 7. 401(k) Plans can be enhanced with ESOPs

Source: (Gilbert, R.J., (2005): The potential advantages of Employee Stock Ownership Plan (ESOP))

*the tax incentives would be different per country

As shown in Table 1 above, Gilbert (2005) suggests that there are potential benefits to be realised for all parties, i.e. the shareholders, employees and the organisation if the scheme is structured and administered appropriately.

2.5 Share rewards as a retention tool

Share options are intended to attract, motivate, retain and align employees' interests with that of the company (Bhengu, 2009). The share schemes usually have a lock-in or vested period of five to ten years wherein they cannot be traded. This can be viewed as a tool by organisation to try and retain employees for at least that period of time. In the study, Bhengu (2009) found that most employees surveyed prefer development opportunities and a good working environment over getting shares as a retention mechanism. Bhengu (2009) also concluded that employee shares alone are not adequate to attract, motivate and retain talents no matter how well the shares perform. The distinct difference between the study conducted by Bhengu (2009) and the aim of this research is that Bhengu studied ordinary-listed company shares, whereas this research focuses on the impact of B-BBEE shares.

In a study, Nyelisani (2010) found that, in general, employees have a very positive attitude towards employee share schemes and that it motivated and increased loyalty towards the company. The study also showed that employees perceive the schemes to be more beneficial to the employer and that perhaps employees would prefer alternative methods to motivate them (Nyelisani, 2010). There was also evidence that employees did not believe in the sincerity of the share schemes and that employees believed that employers were implementing the share schemes in order to comply with the requirements of B-BBEE as set out by the state (Nyelisani, 2010).

Employees also had expectations, as participants in the share scheme, to get recognition from the management of the company and, in addition, employees

expected to play a role in decision-making, which serves as a great motivation for employees (Nyelisani, 2010). The study, however, suggests that employee share schemes on their own cannot provide enough motivation for employees and that other forms of motivation need to be explored (Nyelisani, 2010).

In an Ownership Culture Survey (Rodgers, in McElvaney, 2011) conducted among USA companies with employee share schemes over a period of 15 years, the survey found that “ownership” for employees implied:

- Financial payoff: As owners, employees expected to get cash at some point, yielded by their shares.
- Participation: Employees expected to have a voice in the day-to-day running of the business.
- Influence: Employees expected to have a say in broader company strategic issues.
- Community: Employees expected the company to have a “togetherness” feel because all employees are expected to have the same interests.
- Fairness: Employees expected to be treated fairly, with no special treatment being afforded to individual employees.

Therefore in implementation of a share scheme raises expectations from both employees and the employer and therefore these expectations need to be well articulated so that they can be alignment from both parties.

2.6 B-BBE Empowerment employee share schemes

The reign of the apartheid era in South Africa saw blacks excluded from economic participation (Tangri & Southall, 2008). The participation of black people was mostly limited to the provision of cheap and unregulated labour (The Department of Trade and Industry (DTI), 2003). With the dawn of democracy in 1994, a new South African Constitution was adopted. Chapter 2 (bill of rights) of the constitution of South Africa states that the right to equality is “To promote the achievement of equality, legislative and other measures

designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken.” (The South African Constitution, 1996) In the strategy for B-BBEE, the South African government argues that sustainable growth can be achieved by ensuring that all citizens are integrated meaningfully into the economy (DTI, 2003). This means affording every citizen the opportunity and the means to participate in the economy

The government of the African National Congress has pursued a goal of economic redress and wealth redistribution since coming into power in 1994, which led to the implementation of a black economic empowerment policy (Tangri & Southall, 2008). A B-BBEE Act was subsequently published, in 2003, to provide a framework for the promotion of black economic empowerment (B-BBEE Act, 2004). The intent of the Act was to “promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth rate, increased employment and more equitable income distribution” (B-BEE Act, 2004).

There are seven elements that make up the B-BBEE Code of Good Practice, namely level of ownership, management control, employment equity, enterprise development, skills development, preferential procurement and socio-economic development in the South African economy (DTI, 2007). In doing business with companies, the state then factors in these elements of enterprises and serves to give preferential treatment to companies that meet certain quotas as stipulated in the code. However, even companies that are not doing business directly with the state are under pressure to get a favourable BEE rating as some customers are linked to government, and have come to demand transformation in enterprises that do business with them. The implementation of BEE for most companies is not just seen as a redress exercise, but rather a strategic opportunity for companies to grow by getting involved in various initiatives linked to B-BBEE codes of good practice.

This particular research focuses on the element of ownership. Ownership in the context of B-BBEE refers to voting rights in the enterprise that is held by black people, with emphasis on black women and economic interest of black people, specifically women (DTI, 2007). In response, companies have attempted different models in trying to comply with requirements of this element of B-BBEE. One of the measures used by a number of South African companies was the implementation of BEE employee schemes wherein employees were given a number of “BEE shares” in companies and thus increasing the company’s black ownership.

There is a fundamental difference between the employee B-BBEE shares and other employee ordinary shares afforded to employees. Ordinary shares are the company listed shares whereas the B-BBEE shares offers shareholding in a trust that in turn hold ordinary listed shares. The other significant difference is in the funding of the shares in that with ordinary shares, the senior or executive employees are given the option to buy shares or given the shares on appointment or promotion while on the other hand the B-BBEE shares are usually funded through future dividend pay-outs and afforded to all employees from previously disadvantaged background.

Tangri *et al.*, (2008) observes that the empowerment deals that have occurred in over a decade have not made much change in who controls and owns enterprises in South Africa. However, employee share schemes such as the Sasol Inzalo are said to have had more impact as they were broader in approach, giving shares to employees, with particular interest, to women and disabled groups (Tangri *et al.*, 2008).

The B-BBEE employee share schemes have led to employees now becoming part-owners of the companies they serve. The South African experience of black economic empowerment is not unique in that the United States of America (USA) and Malaysia have implemented schemes similar to BEE and produced varying results. After 30 years of implementing the empowerment scheme, the economic position in the USA of blacks and whites has remained

unequal (Sartorius & Botha, 2008). On the contrary, in the last 20 years, Malaysia has been able to drastically reduce poverty (Sartorius & Botha, 2008).

In a study of 72 companies listed on the JSE, Sartorius & Botha (2008) found that 40% of the companies have transferred 10% or less while 28% of the companies have transferred between 10% and 25% and only 17% have transferred 25% or more of their equity between January 1999 and November 2005 to previously disadvantaged groups (Sartorius & Botha, 2008). In the survey, the companies stated their reasons for implementing BEE ownership initiatives as follows:

Table 2: Reasons for implementing BEE ownership initiatives

Reason	Total
BEE is essential for South Africa to sustain its economic and democratic structures	37
Companies see BEE as an opportunity to grow their business and market share	32
Companies are committed to the principles of BEE	29
Companies realise that BEE is a business imperative and that they will lose market share if BEE is not implemented	23
Companies wish to comply with requirements of their respective industry charter/legislative reasons/licenses	19
A BEE ownership initiative is part of a broader BEE strategy	17
Companies hope to attract and retain black staff by implementing a BEE ownership initiative	15
Companies see an advantage in being the first mover or leading BEE company in their industry	7
The company's customers require the company to have BEE credentials	7
Companies use a BEE ownership initiative as an opportunity to raise finance	7
Companies are required by government procurement to comply with BEE requirements	5

(Source: Sartorius & Botha, (2008). Black economic empowerment ownership initiatives)

Most companies surveyed believe that it would not be sustainable to continue doing business without implementing a BEE scheme; the same number of respondent companies also believed that implementing a BEE share scheme would help the companies grow and increase market share (Sartorius & Botha, 2008). A limited number of the companies indicated their reason for implementing a BEE scheme as, complying to government requirement and to secure government contracts (Sartorius & Botha, 2008).

The seven elements of B-BBEE contribute to a company's overall BEE score. A low BEE score or rating for an organisation would mean that business opportunities will be lost as the company will struggle in securing government work; this is opportunity cost for the company (Sartorius & Botha, 2008). A right selection of a BEE partner is crucial because the partner must add value to the organisation (Sartorius & Botha, 2008). Internal candidates such as employees, managers or directors, perhaps, are a better choice of a BEE partner as they already know and understand the business operations, its culture and internal politics (Sartorius & Botha, 2008).

Funding this transaction with internal candidates is also easier because Section 38 of the Companies Act does not prohibit the employer from funding the transaction on behalf of the employees (Sartorius & Botha, 2008). An added advantage with using internal candidates as BEE partners is that they usually have all their interest vested in the company they work for (Sartorius & Botha, 2008). Boshoff & Mazibuko (2003) found that share ownerships by employees can also lead to a host of benefits such as higher motivation, fewer complaints, lower absenteeism and lower turnover.

2.7 Employee share schemes as part of reward strategy

Across the world, employee share schemes are implemented for a variety of reasons (McElvaney, 2011). In a survey, conducted by Sartorius & Botha (2008), 37 out of 72 JSE-listed companies indicated that their main reason for implementing B-BBEE share schemes was that the companies view it as a necessary step for South Africa to sustain its economic position and democratic structures. An additional 29 companies said they implemented BEE because they are committed to the principles of BEE (Sartorius & Botha, 2008). Over 40% of the companies believed that implementing BEE was a strategic opportunity that could result in greater market share and grow their businesses (Sartorius & Botha, 2008). Some of the companies also believed that choosing employees as BEE partners would alleviate the problem of attracting and retaining “black talent” by offering share schemes with a lock-in period wherein the shares cannot be traded (Sartorius & Botha, 2008).

Employee share schemes are also well-supported in other countries such as the USA. In a 2010 discussion on the American economy, President Obama said:

“The idea behind these ESOPs is that if employees have a piece of the action, [they are] essentially shareholders in these companies, then [one] [is] aligning the interests of workers with the interests of the company as a whole. Now, what that means is that when a company has a tough time, workers have to take a hit because [they are] owners, essentially. On the other hand, when things are going well, [they are] getting a share of the profits. And so theoretically, at least, [it is] something that can help grow companies because the workers feel like [they are] working for themselves, and [they are] putting more of themselves into their job each and every day. I think that [it is] something that can be encouraged” (Whitehouse, 2010)

2.8 Principal-Agent Theory

Agency theory states that there are conflicting interests between the principal (which means the employer or shareholders) and the agents (employees) in executing the agents' duties (Shapiro, 2005). Both are human and have inherent self-serving inclinations or tendencies. Agency theorists have recognised the need to overcome problems associated with separating ownership and control in corporations (Arce, 2007).

When it comes to trying to align interests, the principals usually put in place monitoring systems and offer the agent an incentive to try and align interest between both parties (Shapiro, 2005). Principals tend to be willing to take more risk because they usually have a diversified portfolio of interest, but agents usually are risk averse because the one job is all they have (Shapiro, 2005). This is what has led to the huge increase in the number of chief executives that were offered stock options in the '80s and early '90s (Arce, 2007), to align their interests with that of their principals or shareholders.

This leads to further conflict in the relationship of the principal and the agent because the agent will often do things to cover their own risk rather than do what is best for the organisation (Shapiro, 2005). Shapiro (2005) suggests that, perhaps, part of alleviating the agency problem is how the relationship between company owners and employees is structured. This begs the question of whether ownership of the company by employees could offer a probable solution to the agency problem which includes equity and stock options.

2.9 Gaps in the literature

Agency theory places a lot of emphasis on there being at least two parties in a working structure; the principal, who is the shareholder or employer and the agent who is the employee. What about the cases where a person plays a role

of both the agent and principal, would their interest then be more aligned? This refers to a case where an employee owns shares in a company which they work for. Could that, perhaps, offer some level of relief to the agency problem? Would such an employee's attitude, performance and productivity be any different from that of an employee who is not a shareholder?

A number of South African organisations have gone through the process of changing their ownership structures to include employees through the use of broad-based black economic empowerment (B-BBEE) share ownership schemes in order to improve their BEE scores and other employee share schemes. Agency theory suggest that due to employees now becoming company owners, there would be change in employee attitude, motivation, productivity and performance since their interests are now aligned with those of the company. The research will try to establish if there is any evidence to support that.

One of the pillars in talent management and retention is rewards (Koetser, 2008). Therefore, an area to explore is whether an increase in employee benefits through BEE empowerment schemes will actually improve employee tenure with the organisation. In the literate review, there was very little literature found on BEE schemes, to substantiate on this. Therefore, this research seeks to find out if an increase in rewards through BEE shareholding does impact on employee retention.

Chapter 3: Research Hypotheses

3.1 Introduction

Based on the literature reviewed, it is evident that share schemes have been used extensively over a period of time, as a motivating and retaining tool, by aligning the interests of the shareholders and employees. Nyelisani (2010) found that, in general, employees have a hugely positive attitude towards employee share schemes and that it motivated and increased loyalty towards the company.

What has not been studied is whether the B-BBEE employee share schemes, introduced in the last 18 years, in South Africa, have had similar impacts and benefits for employees.

3.2 Research hypotheses

From the literature in chapter two, hypotheses were developed to establish if the B-BBEE share schemes have had an impact on employee motivation and retention.

The research hypotheses are:

1. Implementation of B-BBEE share schemes has led to an increase in employee motivation.
2. Since receiving shares, employees are now less likely to leave the organisation.
3. Since receiving shares, employees work harder.
4. Employees see the value in the B-BBEE shares.

The research hypotheses provide a framework through which the research will describe the perceptions held by employees.

Chapter 4: Research Methodology

4.1 Introduction

This chapter outlines the research process followed for the study. It also highlights considerations taken when designing the research and selecting the method of analysis. Matters of ethical consideration that would possibly affect the study are also discussed from the perspective of the researcher, GIBS, respondents and their organisation.

The consistency matrix also helped to align the literature discussed in chapter 2 with the research questions in chapter 3 together with the method of analysis in chapter 5. The consistency matrix ensures the hypotheses sought to be proved in chapter 3 are supported by relevant literature review and analysed appropriately.

4.2 Research design

Quantitative design has been selected for the purpose of this study with statistical analysis used to analyse the data. The reason for this choice of design is that the researcher seeks to quantify and describe the impact that the B-BBEE shares have had on employee motivation, productivity and retention since implementation.

A survey was used to get responses from participants. The researcher relied on the perception of the employees after receiving B-BBEE shares to be able to form a view about the impact of the shares.

The steps followed in doing the research are:

- Approval for the research topic and proposal were obtained.
- A project plan was submitted to the supervisor.
- Application for ethical clearance was submitted and obtained.
- A questionnaire was sent out to the identified sample with consent statement.

- Questionnaires were circulated to the targeted population; respondents were given three weeks to respond.
- The data was analysed and interpreted, and report concluded.

An online questionnaire was used, developed on Survey Monkey. Participants in the survey were notified about the survey via email, which also informed them of reasons for the survey and clarified confidentiality and identity protection terms.

The questionnaire comprised three sections:

- The opening section, which was on the email, clarified the reason for the survey, opt-out terms, duration of the survey and whom to contact for further information.
- The second part of the survey captured demographic information, i.e. age, race and years in service.
- The final section in the survey was a series of questions that required the respondent to select one of five answers on a Likert scale which vary from strongly disagree (1) to strongly agree (5).

4.3 Research universe and population

The universe for this study was all the individuals that have participated in broad-based black economic empowerment employee share schemes, in South Africa. The population is all employees at company Lima that participated in the share scheme. The participant of the B-BBEE scheme at company Lima were employees at bargaining unit level (non-managerial) plus managerial level employees who are from previously disadvantaged background, i.e. blacks, coloureds, Indians and Chinese.

This universe excludes the other share schemes where senior management and executive teams in company Lima participates in and focuses strictly on the B-BBEE share scheme.

4.4 Research Sample

The sampling frame or the total list of the population that participated in the share scheme could not be attained due to the organisation opting to protect the employees' identities. Because of the reason above, a non-probability sampling technique had to be used. A non-probability sample is used when the full list of the population cannot be obtained (Saunders & Lewis, 2012). The sample taken is heterogeneous (more varied) because it contains all sexes and all ages. A quota sample was used, in that the survey was sent out via personal networks to employees of company Lima who had participated in the employee share scheme.

4.5 Unit of analysis

The unit of analysis is the retention, productivity and motivation of the individuals who have participated in the employee share scheme.

4.6 Research instrument

A sample of the research instrument is included in Appendix A. The questionnaire consisted of two sections; section A on demographics and section B on the research questions. The questions asked were in simplified, unambiguous language.

The survey was initially tested by sending it out to 5 dummy respondents. The intent of test was to get feedback from the "dummy respondents. Feedback sought was how long the survey took to complete and if the questions were clear and not ambiguous. Feedback received was incorporate into the survey before it was sent out to the research sample.

4.7 Data Collection

Questionnaires were used to collect data for this study. When the researcher uses questionnaires to collect data, this is also referred to as a structured

interview (Saunders & Lewis, 2012). The questionnaires also allowed a standardised set of questions to be asked to a large pool of people to get descriptive patterns (Saunders & Lewis, 2012).

A survey was sent to about 140 respondents who participated in company Lima's B-BBEE. The survey was designed on Survey Monkey, and the link together with the consent statement was sent out to the participants via email. The survey was initially sent to dummy respondents to test it, and, for the purpose of the analysis, those responses were discarded. The survey was open for a period of three weeks while the data was being collected.

Respondents were asked a total of ten questions, including demographic information with five responses on a Likert scale.

4.8 Data analysis

The data was analysed using statistical software tools called SPSS. Firstly, the data was analysed for accuracy and representation of sample. Out of the 140 recipients of the survey, 55 responded to the survey. The response rate was, therefore, 39.2%. Frequency distribution, tables and graphs, were used to describe information about the sample which is represented in chapter 5. The demographic information was presented in graphic formats, to show the characteristics of the survey respondents.

Statistical methods were used to examine the relationship between the different variables. The variables to be explained are loyalty, retention and motivation since the implementation of the share scheme.

4.8.1 Descriptives

Descriptive statistics simply describe what the data is showing. They provide the researcher with a 'bird's-eye' view of how the data looks.

The descriptive statistics discussed below were used in the analysis.

- The **Mean** is calculated by summing up the values of a variable for all observations and then dividing by the number of observations (Norusis, 2005). This describes the central tendency of the data.
- The **Standard Deviation** is calculated as the square root of the variance (Norusis, 2005). This describes the dispersion of the data. Since Standard Deviation is a direct form of Variance, it will be used in place of the latter when reporting.
- The **Median** is considered another measure of central tendency. It is the middle value when observations are ordered from the smallest to the largest (Norusis, 2005).
- **Skewness** is a measure of symmetry of a distribution; in most instances the comparison is made to a normal distribution (Hair et al., 2006). Schepers (2007) emphasises those variables with skewness higher than two should be avoided.
- **Kurtosis** is a measure of the peak or flatness of a distribution when compared with the normal distribution (Hair *et al.*, 2006). Leptokurtosis is normally associated with low reliabilities and should be avoided at all costs. Indices as high as seven are rather extreme and signify unusually low reliabilities (Schepers, 2007).

4.8.2 Chi-squared test

Chi-squared test is used when the relationship between two categorical variables is explored (Pallant, 2010). The test compares the observed frequencies or proportions of cases in each category with the expected (Pallant, 2010). In the case where there is only one sample, as in this research, the chi-squared test is used as a "goodness test" in that it tests if the distribution of frequencies for a variable is representative enough.

4.8.3 p-value

The statistical significance of a result is the probability that the observed relationship (e.g. between variables) or a difference (e.g. between means) in a sample, occurred by pure chance (“luck of the draw”), and that in the population from which the sample was drawn, no such relationship or differences exist (Norusis (2005)). Using less technical terms, we could say that the statistical significance of a result tells us something about the degree to which the result is “true” (in the sense of being “representative of the population”).

On a technical note, the value of the p-value represents a decreasing index of the reliability of a result. The higher the p-value, the less we can believe that the observed relation between variables in the sample is a reliable indicator of the relation between the respective variables in the population. Specifically, the p-value represents the probability of error that is involved in accepting one’s observed result as valid, that is, as “representative of the population”. In many areas of research, the p-value of 0.05 is customarily treated as a “border-line acceptable” error level.

Norusis (2005) highlights that if the p-value is small enough (usually less than 0.05), one must reject the null hypothesis. Traditionally, 0.05 is used as the threshold for “small enough,” although a more stringent criterion of 0.01 is also used. These criteria are called the significance levels or alpha levels for a statistical significance test. If the p-value is less than 0.05, then the results are said to be “statistically significant” at the 5% level.

4.8.4 Cross tabulation

Also known as contingency tables

A contingency table is a cross tabulation of two non-metric or categorical variables in which the entries are the frequencies of responses that fall into each cell of the matrix (Hair, Black, Babin, & Anderson, 2006).

Norusis (2005) further adds that when a table has counts of the number of cases with particular combinations of the values of the two variables, the table

is known as a cross tabulation (or simply a crosstab). The observed counts and percentages in a cross tabulation describe the relationship between the two variables in the sample. However, additional steps must be taken should the researcher want to draw conclusions about the relationship of the variables in the population. The chi-square test is primarily used to test the null hypothesis to show that the two categorical variables are independent.

The 2x2 Table: The simplest form of cross tabulation is the 2 by 2 table where two variables are “crossed,” and each variable has only two distinct the values. For 2 × 2 tables, Fisher’s exact test is computed when a table that does not result from missing rows or columns in a larger table has a cell with an expected frequency of less than five. Fisher’s exact test is the same as chi-squared test, only that it is intended for 2x2 tables.

4.9 Limitations to the research

4.9.1 B-BBEE share schemes are a fairly new phenomenon in South Africa, and the effect thereof has been a topic for contention in the media and amongst society in general; but thorough academic research on the impact of BEE is limited. A number of organisations were approached to participate in the study. The general response was that of hostility and reluctance. The four multinational companies gave reasons such as:

- “Our scheme is too new...” despite the researcher explaining to them that the age of the scheme is not a qualifier in the survey.
- Another company stated that it could not assist because it did not have enough resources to administrate the survey. After explaining that the researcher would do the administration, the company opted not to participate.
- Another one of the major banks never responded despite multiple follow-ups.

This of course is indicative of South Africa’s lack of willingness to have a factual discussion about the impact of BEE. Data from the different share

schemes would have been useful to be able to establish consistency in the results.

4.9.2 Company Lima was also reluctant to grant access to conduct the employee survey. As a result, the survey was sent to 140 people through personal networks established while employed by company Lima. The limitation of the study, therefore, is that the entire Lima organisation could not be examined. It would have been interesting to see if the results would vary substantially across the different divisions. Also, if the survey had been accessed by a greater number of people, then this could have boosted the response rate.

4.9.3 This research does not include employee share schemes that are usually offered to senior management employees and executives by some organisations.

4.9.4 It is unknown whether the amount of time that has lapsed since the implementation of the share scheme would have had an impact on the responses of the employee.

4.10 Ethical considerations

- The respondents in the study were notified of the option to discontinue the survey at any point should they choose to discontinue it.
- The respondents' identities were protected in that they were not asked to submit names in the survey.

4.11 Consistency matrix

The consistency matrix is presented on table 3 in order to ensure flow in the research. It was used to ensure that the research hypotheses were backed by the relevant literature and also analysed using the appropriate method.

4.12 Conclusion

The method followed in conducting the research ensured that maximum value could be extracted out of the process without infringing on the rights of any of the parties involved in the process.

Consistency Matrix

Table 3: Consistency Matrix

Research Hypothesis	Theory / Literature	Data collection	Analysis
Since receiving shares, employees work harder	Jones (2007) Nyelisani (2010)	Survey Monkey (Survey)	-Frequency distribution -Cross tabulation test -Chi-squared tests
Since receiving shares, employees are now less likely to leave the organisation	Collings & Mellahi (2009) Koetser (2008) Ready, Hill, & Conger (2008)	Survey Monkey (Survey)	-Frequency distribution -Cross tabulation test -Chi-squared tests
Implementation of B-BBEE share schemes has led to an increase in employee motivation	Jones (2007) Shapiro (2005) Nyelisani (2010)	Survey Monkey (Survey)	-Frequency distribution -Cross tabulation test -Chi-squared tests
Employees see the value in the B-BBEE shares	Nyelisani (2010) Bhengu (2009)	Survey Monkey (Survey)	-Frequency distribution -Cross tabulation test -Chi-squared tests

Chapter 5: Data Presentation and Results

5.1 Introduction

This chapter presents the descriptive statistics of the respondents; responses collected, and data analysis performed to answer the research hypothesis. The data collected on Survey Monkey was exported for analysis using statistical tools. The data is presented in three sections, namely the demographics, cross-tabulations and statistical analysis for each of the four hypotheses.

5.2 Demographics of sample

5.2.1 Gender

Table 4: Distribution of respondents by gender

		Frequency	%	Valid %
<i>Valid</i>	Female	21	38.2	40.4
	Male	31	56.4	59.6
	Total	52	94.5	100.0
Missing	System	3	5.5	
Total		55	100.0	

There were three respondents that chose not to respond or select their gender. This, therefore, makes the total number of respondents on this question to be 52. Valid percentage is, therefore, used for this descriptive. Males constituted the majority of respondents at 59.6% against 40.4% of females.

5.2.2 Ethnicity

Table 5: Distribution of respondents by ethnicity

	Frequency	%		Valid %
Valid	African	38	69.1	69.1
	Indian	10	18.2	18.2
	Coloured	7	12.7	12.7
	Total	55	100.0	100.0

All respondents were from historically disadvantaged backgrounds, with 69.1% being Africans and 18% being Indian and coloured.

5.2.3 Age

Table 1: Distribution of respondents by age

	Frequency	%	Valid %
Valid	18 – 25	4	7.3
	26 – 40	32	58.2
	41 – 50	12	21.8
	51 – 60	6	10.9
	61 and older	1	1.8
	Total	55	100.0

The majority of respondents were between the ages of 26 and 40 (58.2%) followed by ages 41-50 (21.8%), followed by 51-60 years (10.9%). There was only one respondent above the age of 60.

5.2.4 Length of Employment

Table 2: Distribution of respondents by length of employment

		Frequency	%	Valid %
Valid	1 - 2 years	3	5.5	5.7
	2 - 5 years	9	16.4	17.0
	5 - 10 years	26	47.3	49.1
	10 years and longer	15	27.3	28.3
	Total	53	96.4	100.0
Missing	System	2	3.6	
Total		55	100.0	

There were two respondents that did not indicate the length of employment; therefore, there are only 52 responses in this descriptive. The majority of respondents had been in the employment of company Lima for a period of five to ten years (49.1%), followed by those who had been employed there for 10 years and longer (28.3%), then followed by those who had been employed by company Lima for two to five years (17%).

5.2.5 Which employee share scheme did you participate in?

Table 3: Number of respondents participating in Company Lima share scheme

		Frequency	%	Valid %
Valid	Company Lima	55	100.0	100.0

All the participants in the survey were beneficiaries of company Lima's employee share scheme.

5.2.6 Section B: Frequency of responses

Table 4: Mean and standard deviations for the responses

	N		Mean	Std. Deviation
	Valid	Missing		
-How important are the employee share schemes to you?	55	0	4.22	.629
-Since I have received the B-BBEE employee share options, I feel more motivated	55	0	3.47	.836
-I will not leave my company because of the B-BBEE share scheme	55	0	2.44	1.151
-I see the value in the shares that have been given to me	55	0	3.75	.726
-I am now motivated to work harder because I own shares in the company	54	1	3.26	1.031

Table 9 illustrates the mean of the response to each of the questions in section B of the questionnaire. A mean above three shows the overall response to be on the negative side and a mean below three shows the overall response to the question or statement to be more on the positive side.

On table 9, the “Missing” column shows the number of questions that respondents did not answer. In this case, there was one question that was not answered, i.e. the last question.

The table below shows the frequency responses to “How important are the employee share schemes to you?”

Table 5: Frequency distribution of importance of share schemes

		Frequency	%	Valid %
Valid	Does not really matter	6	10.9	10.9
	Important	31	56.4	56.4
	Very Important	18	32.7	32.7
	Total	55	100.0	100.0

Some 89.1% of employees in the survey indicated that the B-BBEE employee share schemes were important to them. About 10.9% of respondents were indifferent about the importance of the B-BBEE employee share schemes. None of the respondents disagreed about the importance of the B-BBEE employee share schemes. The responses on this question had a mean of 4.22, indicating a strong agreement to the importance of the share schemes to employees.

The table below shows the frequency responses to “Since I have received the B-BBEE employee share options, I feel more motivated”

Table 6: Distribution of employee motivation since receiving shares

	Frequency	%	Valid %
Valid Disagree	8	14.5	14.5
Nothing has changed	17	30.9	30.9
Agree	26	47.3	47.3
Strongly Agree	4	7.3	7.3
Total	55	100.0	100.0

Some 54.6% of employees indicated that they felt more motivated since they had received shares. About 30% of employees responded that nothing has really changed in terms of their motivation since they had received B-BBEE employee shares. The mean of the responses to this statement is 3.47.

The table below shows the frequency responses to “I will not leave my company because of the B-BBEE share scheme”

Table 7: Distribution of employees’ likelihood to leave since receiving shares

		Frequency	%	Valid %
Valid	Strongly Disagree	12	21.8	21.8
	Disagree	21	38.2	38.2
	Does not really matter	11	20.0	20.0
	Agree	8	14.5	14.5
	Strongly Agree	3	5.5	5.5
	Total	55	100.0	100.0

Some 60% of the employees disagreed with the statement that they would not leave the company because of the employee share schemes. About 20% of the employees were indifferent about the statement that they would not leave the company due to the share schemes. The mean of the response to this statement was more on the negative at 2.44.

The table 13 below shows the frequency responses to “I see the value in the shares that have been given to me”

Table 8: Degree to which employees see the value in shares

		Frequency	%	Valid %
Valid	Strongly Disagree	2	3.6	3.6
	Does not really matter	11	20.0	20.0
	Agree	39	70.9	70.9
	Strongly Agree	3	5.5	5.5
	Total	55	100.0	100.0

Some 76.4% of the employees who participated in the survey responded that they saw the value in the shares given to them. About 20% of the respondents were indifferent about the value of the share schemes. The mean of the responses is 3.47.

The table 14 below shows the frequency responses to “I am now motivated to work harder because I own shares in the company”.

Table 9: Degree to which employees work harder since receiving shares

		Frequency	Percentage	Valid Percentage
Valid	Strongly Disagree	2	3.6	3.7
	Disagree	12	21.8	22.2
	Does not matter	15	27.3	27.8
	Agree	20	36.4	37.0
	Strongly Agree	5	9.1	9.3
	Total	54	98.2	100.0
Missing	System	1	1.8	
Total		55	100.0	

One respondent did not make a selection on this statement. Thus, there were only 54 valid respondents to this statement. Some 27.8% of respondents were indifferent about their levels of motivation since receiving the empowerment shares. The mean for the responses was 3.26.

5.3 Analysis

Frequency responses

Since the number of responses to the survey was low, the responses were split into two categories; Disagree/Neutral and Agree. Because of the small sample obtained, the group was split into two groups, to avoid violating most test criteria when analysing the hypotheses.

The groups were split as follows:

- Group one, which was named Disagree/Neutral, was a grouping of responses “Does not matter, Disagree and Strongly disagree”.
- Group two, which was named Agree, was a grouping of responses “Agree and Strongly Agree”.

Table 10: Re-coded frequency responses

1. Since I have received the B-BBEE employee share options, I feel more motivated					
		Frequency	%	Valid %	Cumulative %
Valid	Disagree/Neutral	25	45.5	45.5	45.5
	Agree	30	54.5	54.5	100.0
	Total	55	100.0	100.0	
I will not leave my company because of the B-BBEE share scheme					
		Frequency	%	Valid %	Cumulative %
Valid	Disagree/Neutral	44	80.0	80.0	80.0
	Agree	11	20.0	20.0	100.0
	Total	55	100.0	100.0	
I see the value in the shares that have been given to me					
		Frequency	%	Valid %	Cumulative %
Valid	Disagree/Neutral	13	23.6	23.6	23.6
	Agree	42	76.4	76.4	100.0
	Total	55	100.0	100.0	
I am now motivated to work harder because I own shares in the company					
		Frequency	%	Valid %	Cumulative %
Valid	Disagree/Neutral	29	52.7	53.7	53.7
	Agree	25	45.5	46.3	100.0
	Total	54	98.2	100.0	
Missing	System	1	1.8		
Total		55	100.0		

The majority of respondents agreed that they felt more motivated since they received shares.

A large majority of respondents disagreed with the statement that they would stay with the company because of the share schemes.

The larger proportion of the respondents (76.4%) agreed that they saw the value in the B-BBEE shares given to them.

There seems to be more disagreement than an agreement with the above statement.

5.4 Cross tabulation

A cross tabulation of the three demographics was run against the four main questions. The three demographics were age, race and length of employment. Firstly, re-coding of the background variables was carried out for sample sizing purposes, the objective was to get two groups for each set of questions to be able to compare.

Fisher's Exact test was used to test for significant differences between the two groups. Fisher's test is similar to the chi-squared test, only more suitable for two by two tables as defined in chapter four.

5.4.1 Demographic 1: Ethnicity

The group was split into Africans only and Indian/Coloured group. The choice for this split is that Africans are larger in proportion to the other groups. What follows below is an analysis of how each of the four main questions was answered against the two ethnic groups.

5.4.1.1 Ethnicity vs. "Since I have received the B-BBEE employee share options I feel more motivated"

Table 11: Cross tabulation of ethnicity vs. Employee motivation

			Since I have received the B-BBEE employee share options, I feel more motivated		Total
			Disagree/Neutral	Agree	
[R] Ethnicity	African	Count	18	20	38
		% within [R] Ethnicity	47.4%	52.6%	100.0%
	Indian/Coloured	Count	7	10	17
		% within [R] Ethnicity	41.2%	58.8%	100.0%
Total		Count	25	30	55
		% within [R] Ethnicity	45.5%	54.5%	100.0%

There is an equal proportion of blacks and non-blacks (Indian/Coloureds) agreeing on the statement.

Table 12: Chi-Square test for statistical difference in responses between the two ethnic groups on motivation

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.182 ^a	1	.670		
Continuity Correction ^b	.018	1	.894		
Likelihood Ratio	.182	1	.669		
Fisher's Exact Test				.773	.449
Linear-by-Linear Association	.178	1	.673		
N of Valid Cases	55				

a. 0 cells (0.0%) have an expected count of less than five. The minimum expected count is 7.73.

b. Computed only for a 2x2 table

The p-value for Fisher’s Exact test showed a value of 0.773 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.4.1.2 Ethnicity vs. “I will not leave my company because of the B-BBEE share scheme”

Table 13: Cross tabulation of ethnicity vs. Likelihood of leaving since receiving shares

			I will not leave my company because of the B-BBEE share scheme		Total
			Disagree/Neutral	Agree	
[R] Ethnicity	African	Count	31	7	38
		% within [R] Ethnicity	81.6%	18.4%	100.0%
	Indian/ Coloured	Count	13	4	17
		% within [R] Ethnicity	76.5%	23.5%	100.0%
Total		Count	44	11	55
		% within [R] Ethnicity	80.0%	20.0%	100.0%

Some 81.6% of the black respondents indicated that they would not necessarily stay with the company because of the B-BBEE share schemes as compared to 76.5% of the non-black respondents.

Table 14: Chi-Square test for statistical difference in responses between the two ethnic groups on the likelihood of leaving since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.192 ^a	1	.662		
Continuity Correction ^b	.005	1	.942		
Likelihood Ratio	.187	1	.665		
Fisher's Exact Test				.722	.460
Linear-by-Linear Association	.188	1	.665		
N of Valid Cases	55				

a. 1 cells (25.0%) have an expected count of less than five. The minimum expected count is 3.40.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.722. This shows that there is no statistical difference between the two groups.

5.4.1.3 Ethnicity vs. "I see the value in the shares that have been given to me"

Table 15: Cross tabulation of ethnicity vs. Employees' perception of the value in the shares

			I see the value in the shares that have been given to me		Total
			Disagree/Neutral	Agree	
[R] Ethnicity	African	Count	10	28	38
		% within [R] Ethnicity	26.3%	73.7%	100.0%
Total	Indian/Coloured	Count	3	14	17
		% within [R] Ethnicity	17.6%	82.4%	100.0%
		Count	13	42	55
		% within [R] Ethnicity	23.6%	76.4%	100.0%

There is a general agreement between the two groups that there is the value in the shares given to employees.

Table 16: Chi-Square Test for statistical difference in responses between the two ethnic groups on the value of the shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.489 ^a	1	.484		
Continuity Correction ^b	.127	1	.722		
Likelihood Ratio	.508	1	.476		
Fisher's Exact Test				.733	.370
Linear-by-Linear Association	.480	1	.488		
N of Valid Cases	55				

a. 1 cells (25.0%) have an expected count of less than five. The minimum expected count is 4.02.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.733. This shows that there is no statistical difference between the two groups.

5.4.1.4 Ethnicity vs. “I am now motivated to work harder because I own shares in the company”

Table 17: Cross tabulation of ethnicity vs. Likelihood of working harder since receiving shares

			I am now motivated to work harder because I own shares in the company		Total
			Disagree/Neutral	Agree	
[R] Ethnicity	African	Count	20	17	37
		% within [R] Ethnicity	54.1%	45.9%	100.0%
	Indian/ Coloured	Count	9	8	17
		% within [R] Ethnicity	52.9%	47.1%	100.0%
Total		Count	29	25	54
		% within [R] Ethnicity	53.7%	46.3%	100.0%

Table 25:

The proportion of people in agreement from both groups is similar.

Table 18: Chi-Square Test for statistical difference in responses between the two ethnic groups on motivation to work harder since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.006 ^a	1	.939		
Continuity Correction ^b	0.000	1	1.000		
Likelihood Ratio	.006	1	.939		
Fisher's Exact Test				1.000	.585
Linear-by-Linear Association	.006	1	.940		
N of Valid Cases	54				

a. 0 cells (0.0%) have an expected count of less than five. The minimum expected count is 7.87.

b. Computed only for a 2x2 table

The p-value for Fisher’s Exact test showed a value of 1 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.4.2 Demographic 2: Age

In this demographic, the respondents are split into a group of 18-40 years and a group of 41 years and older. What follows below is an analysis of how each of the four principal questions was answered against the two age groups.

5.4.2.1 Age vs. “Since I have received the B-BBEE employee share options, I feel more motivated”

Table 19: Cross tabulation of Age vs. Employee motivation

			Since I have received the B-BBEE employee share options, I feel more motivated		Total
			Disagree/Neutral	Agree	
[R] Age	18 – 40	Count	19	17	36
		% within [R] Age	52.8%	47.2%	100.0%
	41 and older	Count	6	13	19
		% within [R] Age	31.6%	68.4%	100.0%
Total		Count	25	30	55
		% within [R] Age	45.5%	54.5%	100.0%

A larger proportion of people above the age of 40 years are more in agreement that they feel motivated after receiving B-BBEE shares; as compared to the proportion of people below the age of 40.

Table 20: Chi-Square Test for statistical difference in responses between the two age groups on motivation since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.254 ^a	1	.133		
Continuity Correction ^b	1.480	1	.224		
Likelihood Ratio	2.297	1	.130		
Fisher's Exact Test				.163	.111
Linear-by-Linear Association	2.213	1	.137		
N of Valid Cases	55				

a. 0 cells (0.0%) have an expected count of less than five. The minimum expected count is 8.64.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.163 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.4.2.2 Age vs. "I will not leave my company because of the B-BBEE share scheme"

Table 21: Cross tabulation of Age vs. Likelihood of leaving since receiving shares

			I will not leave my company because of the B-BBEE share scheme		Total
			Disagree/Neutral	Agree	
[R] Age 18 – 40	Count		33	3	36
	% within [R] Age		91.7%	8.3%	100.0%
41 and older	Count		11	8	19
	% within [R] Age		57.9%	42.1%	100.0%
Total	Count		44	11	55
	% within [R] Age		80.0%	20.0%	100.0%

More than 90% of respondents between the ages of 18 and 40 disagree that

they would stay with the company because of the B-BBEE share scheme. Among the 41-year-olds and older respondents, there seem to be a 60:40 split between respondents who would not necessarily stay with a company due to the employee share scheme and those who were likely to stay.

Table 22: Chi-Square Test for statistical difference in responses between the two age groups on the likelihood of leaving since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	8.865 ^a	1	.003		
Continuity Correction ^b	6.880	1	.009		
Likelihood Ratio	8.528	1	.003		
Fisher's Exact Test				.005	.005
Linear-by-Linear Association	8.704	1	.003		
N of Valid Cases	55				

a. 1 cell (25.0%) has an expected count of less than five. The minimum expected count is 3.80.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.005 which is less than 0.05. This shows that there is a statistical difference between the responses of the two groups.

5.4.2.3 Age vs. “I see the value in the shares that have been given to me”

Table 23: Cross tabulation of Age vs. Employees’ perception of the value of shares

			I see the value in the shares that have been given to me		Total
			Disagree/Neutral	Agree	
[R] Age	18 – 40	Count	10	26	36
		% within [R] Age	27.8%	72.2%	100.0%
	41 and older	Count	3	16	19
		% within [R] Age	15.8%	84.2%	100.0%
Total		Count	13	42	55
		% within [R] Age	23.6%	76.4%	100.0%

The majority of the respondents in both groups agree that there is the value in the shares.

Table 24: Chi-Square Test for statistical difference in responses between the two age groups on the value of employee shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.990 ^a	1	.320		
Continuity Correction ^b	.437	1	.508		
Likelihood Ratio	1.039	1	.308		
Fisher's Exact Test				.506	.259
Linear-by-Linear Association	.972	1	.324		
N of Valid Cases	55				

a. 1 cell (25.0%) has an expected count of less than five. The minimum expected count is 4.49.

b. Computed only for a 2x2 table

The p-value for Fisher’s Exact test showed a value of 0.506 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.4.2.4 Age vs. “I am now motivated to work harder because I own shares in the company”

Table 25: Cross tabulation of Age vs. Motivation to work harder since receiving shares

			I am now motivated to work harder because I own shares in the company		Total
			Disagree/Neutral	Agree	
[R] Age	18 – 40	Count	22	13	35
		% within [R] Age	62.9%	37.1%	100.0%
	41 and older	Count	7	12	19
		% within [R] Age	36.8%	63.2%	100.0%
Total		Count	29	25	54
		% within [R] Age	53.7%	46.3%	100.0%

The majority of the respondents in the 18 to 40 years group disagree that they were motivated to work harder because they are now shareholders in the company. This is in contrast to the majority of the respondents in the 41 years and older group who agreed that they now work harder since they own share in the company.

Table 26: Chi-Square Test for statistical difference in responses between the two age groups on motivation to work harder since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.352 ^a	1	.067		
Continuity Correction ^b	2.387	1	.122		
Likelihood Ratio	3.375	1	.066		
Fisher's Exact Test				.090	.061
Linear-by-Linear Association	3.290	1	.070		
N of Valid Cases	54				

a. 0 cells (0.0%) have an expected count of less than five. The minimum expected count is 8.80.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.09 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.4.3 Demographic 3: Length of employment (Tenure)

For this demographic, the group is split into employees who have been working for the company for a period of one to ten years and another group of employees who have been employed for 10 years and longer. What follows below is an analysis of how each of the four major questions was answered against the two tenure groups.

5.4.3.1 Length of Employment vs. “Since I have received the B-BBEE employee share options, I feel more motivated”

Table 27: Cross tabulation of length of employment vs. Employee motivation since receiving shares

			Since I have received the B-BBEE employee share options, I feel more motivated		Total
			Disagree/Neutral	Agree	
[R] Length of Employment	1-10 years	Count % within [R] Length of Employment	20 52.6%	18 47.4%	38 100.0%
	10 years and longer	Count % within [R] Length of Employment	5 33.3%	10 66.7%	15 100.0%
Total		Count % within [R] Length of Employment	25 47.2%	28 52.8%	53 100.0%

A larger proportion of employees with a longer tenure were in agreement that they felt more motivated since receiving B-BBEE shares compared to the proportion of those in agreement, in the one to ten years category.

Table 28: Chi-Square Test for statistical difference in responses between the two groups on motivation since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.607 ^a	1	.205		
Continuity Correction ^b	.926	1	.336		
Likelihood Ratio	1.634	1	.201		
Fisher's Exact Test				.237	.168
Linear-by-Linear Association	1.577	1	.209		
N of Valid Cases	53				

a. 0 cells (0.0%) have an expected count of less than five. The minimum expected count is 7.08.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.237 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.4.3.2 Length of Employment vs. “I will not leave my company because of the B-BBEE share scheme”

Table 29: Cross tabulation of length of employment vs. Likelihood of leaving since receiving shares

			I will not leave my company because of the B-BBEE share scheme		Total
			Disagree/Neutral	Agree	
[R] Length of Employment	1 - 10 years	Count	36	2	38
		% within [R] Length of Employment	94.7%	5.3%	100.0%
Total	10 years and longer	Count	7	8	15
		% within [R] Length of Employment	46.7%	53.3%	100.0%
Total		Count	43	10	53
		% within [R] Length of Employment	81.1%	18.9%	100.0%

Over 90% of the employees in the one to ten years group disagreed that they would stay with the company because of the employee share scheme; as compared to 46.7% of the disagreeing respondents in the ten years and longer group.

Table 30: Chi-Square Test for statistical difference in responses between the two age groups on likelihood

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	16.234 ^a	1	.000		
Continuity Correction ^b	13.246	1	.000		
Likelihood Ratio	14.938	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	15.928	1	.000		
N of Valid Cases	53				

a. 1 cell (25.0%) has an expected count of less than five. The minimum expected count is 2.83.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0 which is less than 0.05. This shows that there is no statistical difference between the two groups.

5.4.3.3 Length of Employment vs. “I see the value in the shares that have been given to me”

Table 31: Cross tabulation of length of employment vs. Perception of the value in the employee shares

			I see the value in the shares that have been given to me		Total
			Disagree/Neutral	Agree	
[R] Length of Employment	1 - 10 years	Count % within [R] Length of Employment	10 26.3%	28 73.7%	38 100.0%
	10 years and longer	Count % within [R] Length of Employment	3 20.0%	12 80.0%	15 100.0%
Total		Count	13	40	53
		% within [R] Length of Employment	24.5%	75.5%	100.0%

There was an equal proportion of employees between the two groups who agreed that there is value in the shares given to employees.

Table 32: Chi-Square Test for statistical difference in responses between the two age groups on the value of employee shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.232 ^a	1	.630		
Continuity Correction ^b	.016	1	.899		
Likelihood Ratio	.238	1	.625		
Fisher's Exact Test				.736	.461
Linear-by-Linear Association	.227	1	.633		
N of Valid Cases	53				

a. 1 cell (25.0%) has an expected count of less than five. The minimum expected count is 3.68.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.736 which is greater than 0.05. This shows that there is no statistical difference between the responses of the two groups.

5.4.3.4 Length of Employment vs. “I am now motivated to work harder because I own shares in the company”

Table 33: Cross tabulation of length of employment vs. Motivation to work harder since receiving shares

			I am now motivated to work harder because I own shares in the company		Total
			Disagree/Neutral	Agree	
[R] Length of Employment	1 - 10 years	Count	23	14	37
		% within [R] Length of Employment	62.2%	37.8%	100.0%
Total	10 years and longer	Count	6	9	15
		% within [R] Length of Employment	40.0%	60.0%	100.0%
		Count	29	23	52
		% within [R] Length of Employment	55.8%	44.2%	100.0%

The majority of the respondents in the group of ten years longer agree that they were now motivated to work harder since they own shares. The majority of the respondents in the one to ten years group disagreed with the statement that they now work harder because of the shares given.

Table 34: Chi-Square Test for statistical difference in responses between the two age groups on motivation to work harder since receiving shares

	The value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.125 ^a	1	.145		
Continuity Correction ^b	1.322	1	.250		
Likelihood Ratio	2.122	1	.145		
Fisher's Exact Test				.218	.125
Linear-by-Linear Association	2.084	1	.149		
N of Valid Cases	52				

a. 0 cells (0.0%) have an expected count of less than five. The minimum expected count is 6.63.

b. Computed only for a 2x2 table

The p-value for Fisher's Exact test showed a value of 0.218 which is greater than 0.05. This shows that there is no statistical difference between the two groups.

5.5 Statistical Analysis

5.5.1 Chi-Squared

There were four hypotheses that were to be answered. For a hypothesis to be accepted, at least 60% of respondents had to agree with the statement. The 60% criterion was selected to represent a majority of the respondents. This means that, for each hypothesis, at least 33 out of the 55 respondents had to agree with the statement. A p-value is then used to test the significance of the response against the expected value.

Theoretically, as discussed in chapter four, if the p-value is less than 0.05, then there is no statistical significance and the null hypothesis must be rejected

Hypothesis one: *Implementation of B-BBEE share schemes has led to an increase in employee motivation*

Table 35: Number of respondents agreeing with hypothesis one vs. The expected number

	Observed N	Expected N	Residual
Disagree/Neutral	25	22.0	3.0
Agree	30	33.0	-3.0
Total	55		

The observed value of 30 is less than the expected value of 33. This means that less than 60% of employees agreed that the employee share schemes made them feel more motivated. A chi-squared test, appearing on table 47, shows a p-value of 0.409 which is greater than 0.05.

Conclusion: This means the null hypothesis cannot be rejected.

Hypothesis two: *Since receiving shares, employees are now less likely to leave the organisation*

Table 36: Number of respondents agreeing with hypothesis two vs. The expected number

	Observed N	Expected N	Residual
Disagree/Neutral	44	22.0	22.0
Agree	11	33.0	-22.0
Total	55		

The observed value of 11 is less than the expected value of 33. This means that only 20% of the respondents agree that they will not leave the company because of the employee share scheme. To determine statistical significance, a chi-squared statistical test, as shown on table 47, shows a p-value of zero which is less than 0.05.

Conclusion: The hypothesis must be rejected.

Hypothesis three: *Since receiving shares, employees work harder*

Table 37: Number of respondents agreeing with hypothesis one vs. The expected number

	Observed N	Expected N	Residual
Disagree/Neutral	29	21.6	7.4
Agree	25	32.4	-7.4
Total	54		

About 25 of the respondents indicated that they were motivated to work harder as compared to the expected 32 respondents. A chi-squared statistical test shows a p-value of 0.04 which is less than 0.05. This means the null hypothesis must be rejected.

Hypothesis four: *Employees see the value in the B-BBEE shares*

Table 38: Number of respondents agreeing with hypothesis one vs. The expected number

	Observed N	Expected N	Residual
Disagree/Neutral	13	22.0	-9.0
Agree	42	33.0	9.0
Total	55		

The observed value of 42 is larger than the expected value of 33. This means 76% of participants agree that they see the value in the employee shares granted to them. A chi-squared test shows a p-value of 0.13 which is greater than 0.05. **Conclusion:** This means the null hypothesis cannot be rejected.

Table 39: Test Statistics for the four hypotheses to obtain the p-value

	Chi-Square	Df	Asymp. Sig.
[R] Since I have received the B-BBEE employee share options, I feel more motivated	.682	1	.409
[R] I will not leave my company because of the B-BBEE share scheme	36.667	1	.000
[R] I see the value in the shares that have been given to me	6.136	1	.013
[R] I am now motivated to work harder because I own shares in the company	4.225	1	.040

Conclusion:

The findings of the quantitative analyses were presented above. Due to the size of the sample, the data was split into to enable comparison without violating test criteria when doing the statistical analysis. The cross tabulation of the research hypotheses against demographics were also conducted to look for any relationships linked to demographics. The findings from the analysis are discussed in the following chapter.

Chapter 6: Interpretation and Discussion of results

6.1 Introduction

The intention of the research was to understand the impact that the B-BBEE share schemes have had on employee motivation, retention and productivity. The purpose of this chapter is to analyse and discuss the results as presented in chapter 5, in relation to the literature and the hypotheses in chapter 3, in order to get an insight into the impact of the share schemes.

The approach in this chapter is to discuss each hypothesis against data and literature and then followed by general remarks on the overall study.

6.2 Profile of respondents

6.2.1 Gender

The majority of respondents in the survey were males; however, gender is not one of the descriptives of interest to this research.

6.2.2 Ethnicity

The respondents were all from previously disadvantaged groups as defined in the B-BBEE code of good practice. The majority of the respondents were of African descent.

6.2.3 Age

There was representation of people of all ages in the sample of respondents; however, the majority were between the ages of 26 and 50.

6.2.4 Length of Employment

The respondents were predominantly in the employees group who had worked for company Lima for a period of between five and ten years.

6.3 Interpretation of results

6.3.1 Hypothesis one, H_0 : *Implementation of B-BBEE share schemes has led to an increase in employee motivation*

Alternative Hypothesis, H_1 : *Implementation of B-BBEE employees share schemes has not led to an increase in employee motivation*

The statistical analysis as presented in table 44 indicates that the hypothesis one cannot be rejected. There were statistically significant responses to indicate that employees felt motivated since receiving employee share schemes. Table 10 illustrates that there is a strong agreement that the B-BBEE share schemes are very important to employees.

As discussed in chapter 2, there are numerous factors that affect employees' motivation and likelihood of staying with an organisation. The analysis in chapter 5 shows that a significant number of employees agreed that they felt an increase in motivation since receiving B-BBEE shares. This can be explained by the fact that, as part-owners, employees want to see the company prosper because they benefit directly from their efforts.

As studied by Nyelisani (2010), employees also had expectations that, as participants in the share scheme, the management of the company would recognise them and, in addition, the employees expected to play a role in decision-making which serves as a great motivation for employees. Therefore, the shares serve as a source of motivation because it gives employees a sense that they can influence the direction and decision-making of the company.

Table 16 shows a cross tabulation of ethnicity vs. employees' levels of motivation since receiving shares. Only 52.6% of the African respondents felt more motivated after receiving the shares, and only 58.8% of the Indian/Coloured respondents felt motivated after receiving the shares. The test for statistical significance shows that there is no difference in perception of motivation between the African and the Indian/Coloured group. Although there

is statistical proof that B-BBEE shares have motivated employees, the proportion of employees that did not feel motivated is notably high and seeks insight. There could perhaps be other internal matters within the organisation leading to the demotivation of these employees, but that was not the scope of this research to explore

Table 24 showed that there was no statistical difference in perception of motivation after receiving shares between the two age groups. This means that the perception about motivation is the same across the age groups. This is supported by Rebrov (2012)'s findings that factors of motivation for employees do not vary across age. There were also no statistical differences between employees who have been working for a longer period, compared to employees who had been in the company's service for a shorter period. The proportion for employees, who felt more motivated after receiving shares, was similar for longer-serving and shorter-serving employees. In summary, there was no relationship found between employee motivation and age, ethnicity and length of employment.

This supports Du Toit *et al.* (2011)'s findings that employees are still greatly motivated by monetary rewards. In their model, Ready *et al.* (2008) also supported the finding that rewards were one of the motivating factors for employees.

Conclusion:

There is evidence that B-BBEE shares do serve as a motivation factors for employees. According to literature reviewed, shares are not ranked first as a motivating factor but do however play a role in motivating employees.

The lack of relationship between motivation and age, ethnicity and length of employment suggests that motivation is universal across those demographics.

6.3.2 Hypothesis two, H_0 : *Since receiving shares, employees are now less likely to leave the organisation*

Alternative hypothesis, H_1 : *Since receiving shares, employees are not less likely to leave the organisation*

The hypothesis intended to ascertain whether the broad-based black economic empowerment shares have been effective as a retention tool. This hypothesis was rejected, because a significant proportion of the respondents were in disagreement with the statement that they were not less likely to leave the organisation since receiving the B-BBEE shares. The alternative hypothesis, therefore, has to be considered, that since receiving shares, employees are not less likely to leave the organisation. It is evident that despite being motivated by the shares, employees would not necessarily stay with the organisation.

There were no significant differences in the likelihood of leaving the organisation between the different ethnicities as shown in table 22 with a p-value of 0.722. This means that, of all the ethnicities surveyed, the perception about the likelihood of leaving the organisation was extremely similar.

As illustrated in table 27, there is a statistical difference between how the respondents in the 18 to 40 age group responded, compared to respondents above 40 years of age. As illustrated in table 26, over 91% of respondents in the 18 to 40 age group indicated that the share scheme did not necessarily reduce their likelihood of leaving the organisation. This is a significant difference when compared to the 57% of the respondents in the above 40 category. This means that despite all the employees feeling motivated by the shares, the employees in the 18 to 40 age category will not necessarily stay with the organisation because of the shares they received.

Statistical analysis did not show any differences in perception between employees in service for less than ten years and employees that were employed for over a ten year period. In comparing proportions, table 37 shows that about 95% of respondents in the less than ten years category, disagreed

that they would stay in the company even after receiving shares. This is in contrast to the 53% of employees serving longer than ten years, who said they were likely to stay with the company now that they had received shares. If the significance level for time in service had been set at 10% as opposed to 60%, then the difference would have been statistically significant.

This means, despite employees being motivated by the shares as discussed in the first hypothesis, the shares are still not enough to retain employees. This substantiates findings by Sengupta et.al (2007) that there was no direct correlation between companies with share schemes and employee retention. It is intriguing to note that a great number of employees said they felt motivated after receiving the shares; however, a significant number of employees still felt that they would still not stay with the company. This supports Nyelisani (2010) and McElvaney (2011), that the shares in isolation cannot be the sole motivating factor that will keep employees motivated.

Conclusion:

The statistical analysis shows that the broad based black economic empowerment shares have not been effective as a retention tool. Surprisingly, even though employees are motivated by the shares they received, they would still not stay with the company because of the shares. The model presented by Ready *et al.* (2008) shows that the strategy for employee retention includes a number of elements and employee rewards is only one of the elements. Therefore it can be argued that on their own, shares as a reward cannot offer a comprehensive strategy to retain employees. The decision to not stay with the organisation may also be influenced by the fact that employees do not really have direct control over the performance of the shares.

6.3.3 Hypothesis three, H_0 : *Since receiving shares, employees work harder (productivity)*

Alternative hypothesis, H_1 : *Since receiving shares, employees do not work harder*

Working harder implies increased productivity. As indicated in table 44, the statistical analysis of this hypothesis yielded a p-value of 0.04 which means that the null hypothesis must be rejected. That implies that employees are not necessarily more productive since receiving B-BBEE shares.

Across the two ethnic groups, the proportion of employees that agreed that they work harder since receiving the shares is the same for all groups. There is no statistical difference in perception of productivity between the two ethnic groups. In terms of the two age groups, there was 63% of the respondents in the 18 to 40 age group who disagreed that they now worked harder, as compared to 37% of respondents in the above 40 age group. The statistical analysis, however, showed that there was no significant difference in perception between the two groups.

The majority of respondents, in the group of ten years and longer, agree that they were now motivated to work harder since they own shares. The majority of the respondents, in the one to ten years group, disagreed with the statement that they now work harder because of the shares given. With a p-value of 0.21, there was no statistical difference between the two responding groups.

This is not consistent with findings by Kefgen (2007) that linking company performance through share schemes lead to increased employee productivity. According to Kefgen (2007), employees should now be inclined to work harder because their psychological perception is that their hard work is directly linked to their incentives, through the employee share scheme. Ude *et al.* (2012) had also found that there is a direct correlation between employee share schemes

and employee motivation and productivity. Ude *et al.* (2012) affirms that share schemes do motivate employees and increase their productivity, if they are administered appropriately. Sengupta (2007) asserts that there was a direct correlation between companies with share schemes and employee productivity.

Conclusion:

The findings on this hypothesis contradict the theory that has been studied. According to the findings, employees are not necessarily working harder after receiving shares whereas literature suggest that after receiving shares employees would have been motivated to work harder. Literature to explain the findings of this hypothesis could not be found but however a plausible explanation could be that employees do not see the direct link between their effort and the outcome (share performance).

6.3.4 **Hypothesis four, H_0 :** *Employees see the value in the B-BBEE shares*

Alternative hypothesis, H_1 : *Employees do not see the value in the B-BBEE share scheme*

The intention of this hypothesis was to see if employees do derive any value from the shares given to them. This was to test if these employee shares are, in fact, of any significance to the employees receiving them.

The statistical analysis produced a p-value of 0.13, which means this hypothesis cannot be rejected. This means that there is statistical evidence to suggest that employees see the value in the B-BBEE shares given to them. A large proportion of employees, at 76%, agreed that they saw the value in the shares given to them, as shown on table 13. About 20% of the respondents were indifferent about the value of the shares given to them. This means that only 3.6% disagreed that they saw any value in the shares given to them. That would mean that, in general, there was consensus that employees see the value in the shares given to them.

The finding substantiates the findings by Nyelisani (2010) that even though employees also have other preferences for motivation; they were still very positive about share schemes. The finding further affirms Ready *et al.*, (2008)'s model that rewards are pivotal in a comprehensive strategy to attract and retain talent.

Across the ethnicity groups, the proportion of respondents agreeing that they see the value in the shares given to them is the same for the African, Indian and Coloured groups. That means the perception of the value of the shares was similar across all the ethnic groups. In terms of the two age groups, there were also no significant differences between the two age groups. This implies that the perception of the value of the shares is the same across all age groups.

With a p-value of 0.74 as shown in table 44, there were no significant differences between employees in service for less than ten years and employees in service for longer than ten years. This shows that there is no statistical difference between the responses of the two groups. A large proportion of employees in the two groups indicated that they saw the value in the shares given to them.

Conclusion

This is a positive sign for organisations offering share schemes because employees clearly recognise the value that the organisations have tried to create for them. Though rewards in the form of share options may be one of the many factors used as value proposition, there is evidence that it is valued as part of the value proposition.

Chapter 7: Conclusion and Recommendations

7.1 Introduction

The aim of this research study was to try and to establish if the employee broad based black economic empowerment shares have had benefits for employees. The intent was to explore if the B-BBEE were having a similar effect as other share schemes such as motivating and retaining employees.

7.2 Key Findings

The main areas or factors under investigation were motivation, retention, productivity and value of shares to the employees. In summary the key findings of this study were:-

- Broad based black economic empowerment shares were effective as motivating tool for employees. This was found to be true across all ethnicities, age and tenure (length of employment).
- Even though employees feel motivated by receiving shares, they would not necessarily stay with the organisation for that reason only. Even though a large proportion of employees indicated that they would stay, the general perception was that the B-BBEE shares alone were not enough to retain employees. This perception was also found to be true across the ethnic groups and across employees of all tenures.
- The B-BBEE employee shares were found not to provide enough incentive for employees to work harder and to be more productive. This fact was in contradiction to theory studied and therefore begs a case for future research.
- The last key finding was that employee derived value from the shares afforded to them. This finding is important for organisation because even the value has not been quantified; it gives organisation and managers an indication that employees perceive the shares as being worthwhile and valuable. This perception is shared by employees across all the demographics studied.

It has to be said that factors affecting employee motivation and retention are a combination of factors and cannot be solely linked to one factor. And thus it would be difficult to single out rewards as the single factor impacting motivation and rewards. Perhaps a case to be heard is that of finding the correct balance of these factors that would minimise the risk of employees leaving.

7.3 Contribution to Literature

There is not a lot of literature on the impact and effects of black economic empowerment and associated legislation and practices. This study contributes to the body of knowledge about the broad based economic empowerment share schemes that are now being widely being issued in South Africa. To summarise the key findings and to also link to existing literature, there is evidence to support the argument that B-BBEE shares are effective as part of the reward strategy as presented by Ready *et al.*, (2007).

7.4 Recommendations for managers

There are a number of implication and recommendations derived from this study.

- Firstly, managers need to be aware of employees' expectation of what it means to be B-BBEE shareholders. Once these expectations are known and understood, managers have to either align them with human resource strategies or manage them by having open discussion with employees. For example, employees expect have a say in how the company is said but their shareholding is so minimum that they cannot influence decisions. Therefore, managers have to educate employees about what their shareholding means and responsibilities associated with it.

- B-BBEE shares do motivate employees and provide a good value proposition however managers need to formulate the optimal human resource strategies that take into account all factors affecting the attraction and retention of employees. It is evident that B-BBEE shares alone will not retain employees. Also, more organisations are implementing B-BBEE shares schemes, so having a B-BBEE employee share scheme is increasingly becoming a point of parity than a point of differentiation because this model of empowerment is being replicated by other organisations.
- Although there is theory to guide managers of the most common factors that motivate employees, it is still important that managers get to know their employees intimately. Managers have to be cautious about applying blanket approaches to employees because at individual level employees are different.
- The model of providing B-BBEE shares to employees does seem to be having a positive effect for parties involved but it has still not been quantified as to how much value is derived by employees as compared to the cost of administering such a scheme. If the cost of administration is high, there may be a case to invest the money in a different product that would provide more value for employees.

In conclusion, it has to be said that factors affecting employee motivation and retention are a combination. Thus, it would be difficult to single out rewards as the single factor impacting motivation and rewards. Perhaps, a case to be investigated is that of finding the correct balance of these factors that would minimise the risk of employees leaving.

7.5 Recommendation for future research

The Broad based black economic empowerment shares schemes are relatively new and therefore there are a considerable number of aspects of these

empowerment schemes that still need to be researched and understood. Areas for consideration are: -

- At the end of the lock in period, what proportion of employees kept the shares and maybe even bought more of the B-BEE shares from the market.
- It would be of interest to run a comparison between a newer B-BBEE scheme against one of the older schemes to understand if employee perceptions change over a period of time.
- It is also important to understand where the B-BBEE share schemes rank in terms of preference against other motivating factor and if those other factors would yield better results.
- In this study, employees were not motivated to work harder after receiving shares which contradicts existing literature. It important to gain understanding why employees, despite feeling motivated by shares, were not inclined to work harder.

7.6 Research Limitations

The limitations to this research were:-

- Not all B-BBEE share schemes in South Africa could be studied
- The responses given in the survey relied entirely on the honesty and openness of the respondents which the researcher has no control over
- The effect of the time that had elapsed since the implementation of the scheme could not be quantified.

7.7 Conclusion

The effect of BEE in South Africa has yielded varying results in the different sectors. However, the far-reaching impact of it still has to be felt through the bridging of the wealth gap. There is no question regarding the need to empower

previously disadvantaged groups; the question lies in what model will have the most felt impact and create wealth for the majority of the citizens of this country.

B-BBEE share scheme have been found to have similar benefits as other share scheme implemented in South Africa. There is evidence that the share schemes have created value for employees from previously disadvantaged background. The value created for employees still has to be qualified and the empowerment models challenged to have greater impact in creating wealth.

From an employer's perspective, the B-BBEE shares provide a plausible tool for motivating employees. Even though the benefits are not quantified, employers have a base to depart from in optimising their empowerment models while improving their own BEE ratings.

With increasing globalisation, poor levels on education in South Africa, the war for talent will continue to rage and managers have to continuously improve strategies to attract, motivate and retain the best talent.

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APPENDIX A: SURVEY INSTRUMENT

Section A: Background information

1. Gender

1.1	Male	1
1.2	Female	2

2. Ethnicity

2.1	Black	1
2.2	White	2
2.3	Coloured	3
2.4	Indian	4
2.5	Asian	5

3. Age

3.1	18 – 25	1
3.2	26 – 40	2
3.3	41 – 50	3
3.4	51 – 60	4
3.5	61 and older	5

4. Length of Employment

4.1	0 – 1 year	1
4.2	1 – 2 years	2
4.3	2 – 5 years	3
4.4	5 – 10 years	4
4.5	10 years and longer	5

5. Which company do you work for?

5.1	MTN	1
5.2	Nedbank	2
5.3	SAB	3
5.4	Sasol	4
5.5	Vodacom	5

Section B – Perception about employee share scheme

1. How important are these employee share schemes to you?

1.1	Very important	1
1.2	Important	2
1.3	Does not really matter	3
1.4	Unimportant	4
1.5	Very Unimportant	5

2. Since I have received the B-BBEE employee share options, I more feel motivated?

2.1	Strongly agree	1
2.2	Agree	2
2.3	Nothing has changed	3
2.4	Disagree	4
2.5	Strongly disagree	5

3. I will not leave my company because of the B-BBEE share scheme

3.1	Strongly agree	1
3.2	Agree	2
3.3	Does not really matter	3
3.4	Disagree	4
3.5	Strongly disagree	5

4. I see the value in the shares that have been given to me

4.1	Strongly agree	1
4.2	Agree	2
4.3	Does not really matter	3
4.4	Disagree	4
4.5	Strongly disagree	5

5. I am now motivated to work harder because I own share in the company

5.1	Strongly agree	1
5.2	Agree	2
5.3	Does not really matter	3
5.4	Disagree	4
5.5	Strongly disagree	5