Tertiary educational investment by the small business owner and conscious capitalism

Gina van der Mescht (nee De Coster)
Student number: 28531002

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

Supervisor: Dr Gavin Price

11 November 2013
Abstract

South Africa’s education system is in dire straits with few people having access to tertiary education. This has resulted in a skills shortage across all industries. Private companies as well as public companies are experiencing problems due to this skills shortage. This paper investigated whether private companies feel they have a duty to assist in resolving this problem, considering Milton Friedman’s assertion that the sole purpose of a company is to make money for the shareholders compared with the notion of conscious capitalism.

A literature review was followed by a qualitative study where CEOs of private companies were interviewed. These companies included unlisted companies, partnerships and sole proprietors. During the interview process, they were asked whether in their opinion they have a duty to be involved in solving the problem of lack of access to tertiary education, whether they are currently involved and the reasons why they are involved or not. The question was asked whether in their opinion the theory of Friedman or conscious capitalism is more applicable to their environment through investment in education.

It was found that the small business owner does experience a sense of duty and responsibility towards solving problems in tertiary education. In some cases, this was due to legislation promulgated by government. This sense of duty is limited to their immediate environment. It was shown how legislation has interfered with the theory of conscious capitalism in terms of the four constructs on which it is built and how various other factors need to be taken into account when considering whether conscious capitalism is relevant in the business environment.

Keywords: tertiary education, private sector, skills shortage, conscious capitalism, duty, shareholder wealth model
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.

Gina van der Mescht (nee De Coster)
11 November 2013
Acknowledgements

My family;

My darling husband Marius, for every 4am woken with coffee to study, for every tear shared, every smile and every word of encouragement I thank you. I couldn’t have done this without you. You complete me.

My beautiful girls, Gabriella and Zane. So many Saturday birthday parties unattended so that mommy could study, accepted without complaint. You make me proud. Mommy is doing this so that one day you have the tools to make the most you can be.

To my parents, Dad, Mona and moeksie, for standing by me every step of the way and believing in me, for every much needed hug during this journey.

To my brother Philippe, I’m blessed with the best big brother in the world. Thank you for always supporting this little sis through everything I decide to take on.

To the experts, Dr Gavin Price and all other participants to my research

When during an early research workshop we were told to expect 3 meetings with our supervisor and by then I’d had 5, I knew I had a gem! I thank you Gavin for every word of encouragement, much needed criticism and guidance during this process.

To each of my participants for much valued and appreciated input I thank you, this wouldn’t have been possible without you.

To all of the MBA class 2012/2013;

We’ve shared laughs, tears, frustration and of course vodka! I hope my journey in life will continually be colored by your presence.
Dedication

I dedicate this research report to my late mother, Francina Gabriella de Coster.

There is so much I want to say but no words.

What I would give to share this moment with you, to see the smile on your face. What I would give to hear the words “I am proud of you”.

I miss you each and every day.

I remember many years ago how you softly woke me one cold winters morning when our baby chicks had hatched, how we ran barefoot across the ice cold winter frosted grass where you put the tiny baby chick in my little girl hands, and I thank God each day that He picked you to be my mommy. Your greatest achievement in life was us, your children, and you gave unconditionally and effortlessly to us. Your kind heart shone through everything you did.

I want to thank you for giving me the tools which has helped me so much through life. I want to thank you for teaching me to always be the best I can be, to have the strength to never give up. I want to thank you for showing me the importance of never forgetting my roots and their importance in shaping my future. I hope I can do the same for Gabriella and Zane.

I know one day we will see each other again, and until that day, love you to the moon and back forever and a day!
# Contents

Abstract ........................................................................................................................................... i  
Declaration ...................................................................................................................................... ii  
Acknowledgements ....................................................................................................................... iii  
Dedication ....................................................................................................................................... iv  
List of figures .................................................................................................................................. viii  
List of tables .................................................................................................................................... viii  
List of appendices ........................................................................................................................... viii  
List of abbreviations ....................................................................................................................... viii  
Chapter 1 Introduction to the research problem .............................................................................. 1  
Chapter 2 Literature review ............................................................................................................ 4  
  2.1 Income inequality ................................................................................................................... 4  
  2.2 Government involvement in inequality .................................................................................. 4  
  2.3 Broad-based black economic empowerment ......................................................................... 5  
  2.4 Tertiary education .................................................................................................................. 6  
  2.5 Corporate social responsibility: Shareholder interest versus stakeholder interest .............. 8  
  2.6 Conscious capitalism ............................................................................................................. 10  
  2.7 The conscious capitalism debate ........................................................................................... 13  
  2.8 Conclusion ............................................................................................................................. 16  
Chapter 3 Research questions ........................................................................................................ 18  
Chapter 4 Research methodology .................................................................................................. 20  
  4.1 Purpose of this study ............................................................................................................... 20  
  4.2 Research design ..................................................................................................................... 20  
  4.3 Population and sample ........................................................................................................... 20  
  4.4 Data gathering and analysis .................................................................................................. 21  
  4.5 Limitations ............................................................................................................................. 23  
Chapter 5 Results ............................................................................................................................ 24  
  5.1 Sample description ................................................................................................................... 24  

© 2014 University of Pretoria. All rights reserved. The copyright in this work vests in the University of Pretoria.
5.1.1 Primary data collection ................................................................................24
5.1.2 Secondary data collection ...........................................................................26
5.2 Presentation of results ..................................................................................26
5.3 Research Question 1: Do private companies feel it is their duty to invest in the tertiary education of their employees and the youth of our country? ...............26
5.4 Research Question 2.1: Are private companies currently investing in the tertiary education of our youth and employed? ........................................................30
5.5 Research Question 2.2: Why are private companies currently investing in the tertiary education of our youth and employed? ....................................................32
5.6 Research Question 3: Have private companies invested historically and is not doing so any longer? ..............................................................................35
5.7 Research Question 4: To what extent has B-BBEE influenced the policy towards tertiary education investment of the company? ........................................35
5.8 Research Question 5: Do private companies feel that the constructs of conscious capitalism are applicable to their entity and others trading in a similar environment?.................................................................39

Chapter 6 Discussion of results ........................................................................ 42
6.1 Research Question 1: Do private companies feel it is their duty to invest in the tertiary education of their employees and the youth of our country? ..........42
6.2 Research Question 2.1: Are private companies currently investing in the tertiary education of our youth and employed? ..............................................43
6.3 Research Question 2.2: Why are private companies currently investing in the tertiary education of our youth and employed? ..............................................43
6.4 Research Question 3: Have private companies invested historically and is not doing so any longer? ..............................................................................44
6.5 Research Question 4: To what extent has B-BBEE influenced the policy towards tertiary education investment of the private company? ...........................44
6.6 Research Question 5: Do private companies feel that the constructs of conscious capitalism are applicable to their entity and others trading in a similar environment? ..................................................................................46

Chapter 7 Conclusion .......................................................................................... 53
7.1 The history ...................................................................................................... 53

© 2014 University of Pretoria. All rights reserved. The copyright in this work vests in the University of Pretoria.
List of figures

Figure 1  Problems identified in tertiary education
Figure 2  Effect of B-BBEE on tertiary education involvement
Figure 3  Conscious capitalism within the business life cycle

List of tables

Table 1  Responses towards the duty of becoming involved in the solution of tertiary education
Table 2  Responses towards current investment made in tertiary education

List of appendices

APPENDIX 1  Research questions
APPENDIX 2  List of interviewees, trading form and industry
APPENDIX 3  Secondary data interview

List of abbreviations

CE0  chief executive officer
CSR  corporate social responsibility
B-BBEE  broad-based black economic empowerment
DTi  department of trade and industry
Chapter 1 Introduction to the research problem

There is a dire shortage of educated people in South Africa as evidenced by the fact that only nine million of South Africa's 51 million population have completed secondary education (Grade 12) and a mere four million have a tertiary qualification (Stats SA, 2012). This calculates to just 13% of a 31 million active workforce population holding a tertiary qualification. In addition, South Africa has an unemployment rate of 25% (Stats SA, 2012), contributing to a highly unequal distribution of income with a Gini coefficient of 0.63 (The World Bank, 2013). This Gini coefficient can in part be ascribed to the lack of tertiary educated and qualified people entering the marketplace.

President Jacob Zuma gave an undertaking in the National Development Plan of August 2012 to create 11 million jobs by 2030 (SA Government Information, 2013). Following this, it was reported that Higher Education Minister Blade Nzimande committed to ensuring that 10 000 skilled artisans per year qualify through the National Skills Development Strategy 3 in an effort to reduce inequalities and to relieve business of one of its biggest problems, namely the acute skills shortage that is occurring across all industries (SABC, 2012).

Erasmus and Breier (2009) found that while South Africa is subject to the pull and push factors characterising the international market for skill people, the local shortage felt by South African business is, in particular, of professionals and artisans. Many of the high-level skills shortages are blamed on the education system and this is one of the key factors preventing the achievement of the country’s targeted six per cent growth rate (Erasmus & Breier, 2009).

Addressing skills shortages by creating new jobs has a direct positive impact on the economic growth of a country (Qadri & Waheed, 2013). They examined the relationship between human capital and economic growth by using a cross-sectional sample of 106 countries. Even though the quest for the determinants of economic growth through numerous studies is ongoing, Qadri and Waheed (2013) found that human capital is positively correlated with economic growth and, in fact, in low-income countries, the rate of return on human capital is higher compared to the overall returns across the world.
A World Bank Report published in 2012 showed that South Africa’s private sector market represents 68% of domestic credit (Standard Bank, 2013), more than half of the total market. It was further reported that the Minister of Finance, Pravin Gordhan, said that while public-sector investment remains the principle force in economic development, the private sector plays a very important role in promoting economic growth (Agencies, 2013).

The South African government implemented broad-based black economic empowerment (B-BBEE) after promulgating the Broad-based Black Economic Empowerment Act 53 of 2003. The purpose of the Act is to redress the inequalities of the past in all spheres including political, social and economic spheres. The Act allows entities to earn points and scores for the development of the previously disadvantaged population in seven areas of development: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development activities. Tertiary education initiatives can be promoted through the two developmental areas of skills development and socio-economic development initiatives.

The South African Companies Act 71 of 2008 allows for entities to register as a company in various forms: private companies (Pty) Ltd which are not state-owned and where their memorandum of incorporation prohibits them from offering any securities to the public; personal liability companies (Inc) where the company and its directors are jointly and severally liable for any debts and liabilities of the company; state-owned companies (SOCs), which fall within the meaning of ‘state-owned enterprise’; and public companies (Ltd) whose shares are traded in a public environment (Deloitte, 2010).

There are also unregistered forms entities: a sole proprietor where a single individual trades in his or her personal capacity; and partnerships where individuals trade in group which is regulated by a partnership agreement.

Of all these registered and unregistered forms of trading entities, the Companies Act requires only public companies and SOCs to perform an audit. All other forms of entities are not required by any law to perform an audit and have no obligation to report on their financial performance or other obligations they feel they may or may not have in the marketplace (Deloitte, 2010).
Considering the size and importance of the private sector, this research explored the sense of duty and responsibility this sector has towards its involvement in the tertiary education of both the youth and employed people. For the purpose of this research, the private sector included all private companies, sole proprietors and partnerships. This research further explored whether involvement has been fuelled by the introduction of B-BBEE into the business environment and whether the reasons for such involvement or lack thereof support corporate social responsibility or conscious capitalism.

In Chapter 2, the literature review discusses income inequality in South Africa and how it has affected access to tertiary education. It explores government's involvement in solving the problem of inequality through its policies considering its scarce resources. Lastly, it considers the contribution of the private sector to tertiary education through the evolution of Friedman's theory, corporate social responsibility and the subsequent introduction of conscious capitalism in an environment legislated by broad-based black economic empowerment.
Chapter 2 Literature review

2.1 Income inequality

Triegaardt (2006) demonstrated that inequality can be measured by a lack of access to natural resources, a dual health system and other socio-economic dimensions. Countries which suffer from inequalities are, in turn, more likely to suffer from political instability and experience lower economic growth (Sylwester, 2000b).

According to Van der Berg (2002), South Africa has a notoriously skewed distribution of income and consequently high levels of poverty for an upper-middle-income developing country. Van der Berg (2002) ascribed this to the legacy of apartheid.

Intergenerational transfer can be identified as a contributor to inequality in South Africa. This includes both physical capital (bequests) and human capital (investment in education) where South African parents do not have the resources to provide their children with the necessary funds to obtain a tertiary education (Alonso-Carrera, Caballe & Raurich, 2012).

Leibbrandt, Finn and Woolard (2012) argued that inequalities have increased during the post-apartheid period both in aggregate and within each racial group with inequalities being highest among Africans, followed by coloureds and then whites. Leibbrandt et al. (2012) identified the South African labour market as one of the main drivers of inequalities, mainly due to lack of access to labour market incomes as well as inequality in these incomes, resulting in an increase in social grants as the only source of income.

2.2 Government involvement in inequality

Governments have scarce resources that need to be allocated to, among others, defence, education and infrastructure. However, according to Sylwester (2000a), it appears that countries that devote more resources to public education as a percentage of GDP have lower income inequality in subsequent years although any effects are slow to be realised.
Hwang (2005) supported this by finding that the governments of developing countries experience great asset inequalities and expend more resources on higher education than on primary or secondary education.

Triegaardt (2006) highlighted that since 1994, the South African government has developed policies which have focused on poverty alleviation with social security which has been extended, in particular, to children and the disabled. However, Triegaardt suggested that social assistance is nearing the boundaries of its ability to alleviate poverty.

2.3 Broad-based black economic empowerment

In support of the policies discussed by Triegaardt (2006), Horwitz and Jain (2011) described how the South African government has sought to redress the historical legacy of workplace discrimination though legislative and institutional interventions. These include the Labour Relations Act 66 of 1995 (LRA), the Employment Equity Act 55 of 1998 (EEA), the Skills Development Act 97 of 1998 (SDA), the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000 Act (PEPUDA) and the Broad-Based Black Economic Empowerment Act 53 of 2003 (B-BBEEA). The intention of B-BBEE is to bridge the gap between formal and substantive equality and to ensure that all people in South Africa enjoy the right to equality (Laher, 2013). B-BBEE is seen as necessary to remedy the economic imbalances perpetuated during the apartheid era (Horwitz & Jain, 2011).

B-BBEE as a form of affirmative action has the risk of benefiting only a small fraction of previously disenfranchised black South Africans, forming what now constitutes a class of black elite rather than benefiting the majority of disempowered South Africans who are the legislation’s target (Hoffman, 2008). However, Patel and Graham (2012) found that although the elite continues to benefit from deals, broad-based beneficiaries, particularly employees and women, are also beginning to benefit to some extent.

B-BBEE compliance in South Africa is not a legal requirement as Laher (2013) pointed out, but rather a commercial incentive. Laher (2013) explained how a company with a high B-BBEE score is more likely to be rewarded with government contracts as, for
example, a particular B-BBEE ownership level is required for a company to be issued with and maintain prospecting and mining rights. When it comes to doing business with private entities, a company scores better in the B-BBEE scorecard (for the preferential procurement element) if it transacts with entities with high B-BBEE scores, meaning companies prefer to transact with entities with a higher B-BBEE score to increase their own score (Laher, 2013).

In addition to ownership and procurement, a company can score points through investing in tertiary education under the two developmental areas of skills development and socio-economic development initiatives, contributing further to the commercial incentive (Laher, 2013).

2.4 Tertiary education

Education has a positive and significant impact on several developmental outcomes. Gyimah-Brempong (2011) listed these as income growth, health outcomes, political stability and women’s participation in national politics. Gyimah-Brempong (2011) tested the effect of various levels of education on the various outcomes, specific to African countries, and found that lower levels of education have a strong impact on preventative health care with tertiary education having a greater impact on income growth.

Unlike tertiary education, primary schooling and secondary schooling in South Africa have shown a definite improvement. Van der Berg (2002) stated that despite the lasting influence of apartheid, educational access is no longer a problem with 90% of children across all race groups attending school until Grade 12 or age 16.

Leibbrandt and Levinsohn (2011) supported this by stating that there has been an improvement in the average years of schooling of South Africans who were previously disadvantaged. However, there has been no significant increase in people with complete secondary schooling and no increase in people with tertiary education qualifications.

The skills shortage, which has become a permanent political issue in South Africa, is another factor in the slowdown in economic growth, innovation, efficiency and service
delivery (Collins & Millard, 2013). It appears as though South Africans have been trying to enter the labour market without the necessary education to gain employment or to earn a decent wage (Leibbrandt & Levinsohn, 2011).

According to Collins and Millard (2013), since 1994 with the election of the first democratic government, South African tertiary education has not transformed enough to meet the needs of its integrated populace, specifically those needs of the black majority who are historically the most disadvantaged portion of the populace.

Collins and Millard (2013) stated that an essential tool needed to improve economic growth and equity in South Africa would be the improvement of our universities’ graduate output, specifically numbers, mix and quality.

Should people who previously did not have access to tertiary education receive the opportunity to educate themselves further, they enhance their earning potential (Van der Berg, 2002). This can be calculated to the additional income earned during their lifetime by whoever invested in their education (Taran-Morosan, Sava & Diaconescu, 2010).

Not only do people benefit from the investment, but so does society through reduced dependence on social assistance programmes, reduced criminality, increased capacity to save money, positive effects on individuals in future generations as well as growth in the population health status and the average life expectancy of individuals (Taran-Morosan et al., 2010).

Hwang (2005) further brought to the forefront that due to the high costs of tertiary education, only a small number of wealthy people can access tertiary institutions. In addition, due to the continuously increasing cost of tertiary education (Nakajima & Nakamura, 2012), it is unlikely that it will ever be possible for the poorer portion of the population to have tertiary education available to them, therefore increasing inequality even further.
2.5 Corporate social responsibility: Shareholder interest versus stakeholder interest

Although corporate social responsibility has been defined in different ways, for the purpose of this research it was defined as the impact business behaviour has on society (Husted & Salazar, 2006). Some of the problems facing our society include inflation, unemployment, pollution, crime, housing, poverty and racism (Shaw, 1988).

There has long been a debate with regard to the responsibility of business in a free enterprise system. Friedman (1970) wrote that the sole responsibility of business is to make money as it is impossible for a business to have responsibilities, only a person has responsibilities. This was supported by Coelho, McClure and Spry (2003) who described corporations as legal fictions created by the state to engage in lawful enterprises. Coelho et al. (2003) argued that the focus should be on the agents of the firm meeting their prime responsibility, namely their fiduciary duty, within the legal strictures of society and without deception so as to increase the wealth that was entrusted to them by shareholders.

Coelho et al. (2003) also stated that the declaration of Friedman (1970) on the social responsibility of business is clear and unambiguous. This is in contrast to corporate social responsibility which is inherently vague and ambiguous, a brilliant term with a different meaning for everyone. To some people, corporate social responsibility conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others the meaning transmitted is that of “responsible for” in a causal mode; many simply equate it with “charitable contributions”, meaning socially “conscious” and “aware”; while a few see it as a sort of fiduciary duty imposing higher standards of behaviour on business people than on citizens at large.

Jones and Felps (2013) disagreed with Friedman (1970) and stated that even though in a different era Friedman’s view, which Jones and Felps called the shareholder wealth model (SWM), was appropriate, it is no longer appropriate, given the current state of economic and social welfare. This is because shareholder wealth maximisation is only weakly linked to social welfare maximisation.
Considering the current economic state even further, the significant macro-economic projects occurring in our environment today cannot be masked. Even though these projects are complex and multifaceted, it is probable that the shareholder wealth model historically played a significant role in these projects (Jones & Felps, 2013). Jones and Felps (2013) listed two examples and the effects thereof as:

- **The financial crises**
  
  Jones and Felps (2013) described characteristics of the financial crises as the desire of lenders to make profitable mortgage loans, the desire of financial institutions to fulfil the demand for collateralised home mortgages and the apparent willingness of rating firms (Standard and Poor) to give high ratings to these debt instruments in response to the wishes of their issuers who pay for these rating services.

- **The quest for lower labour costs**

  The second macro-economic project listed by Jones and Felps (2013) is the quest for lower labour costs which has led to the offshoring of numerous jobs. This has resulted in unemployment or underemployment and stagnant or deteriorating incomes for many lower and middle-class workers with setbacks which may not be of a temporary nature.

Friedman (1970) noted that businesses cannot disregard ethics in their pursuit of profits but stated that the “invisible hand” of the market and codified business laws regulate the marketplace and players competing in this space. This was supported by Wagner-Tsukamoto (2007) who called these laws the “rules of the game” and explained them as legal rules and ethical rules. Legal rules can be viewed as ethical rules that have been codified in laws which come with proper sanctions and reflect the minimum moral standards for all players in the environment (Wagner-Tsukamoto 2007). The remainder of the not yet codified behaviours are the ethical rules. The question Wagner-Tsukamoto (2007) raised is when economic pressures in a market transpire, would these not yet codified ethical rules survive if they are costly and unprofitable?

Husted and Salazar (2006) stated that research has found a positive impact on a firm’s financial performance when it performs in terms of social and environmental responsibility and therefore described Friedman as a villain with his view of profit maximisation as the main purpose of an organisation. Friedman (1970) was aware of these benefits and listed them as attracting desirable employees, reducing wage bills...
and lessening losses from pilferage or sabotage, but stated that in his view the cost of CSR far out weighed the benefits received.

A benefit not listed by Friedman (1970) is the creation of ethical capital. Wagner-Tsukamoto (2007) argued that investing in social and environmental responsibilities, for example activities such as reducing pollution, to an extent beyond what is required by law and investing in amenities for local communities, creates ethical capital. This places the firm in an advantaged position where it can be “sold” on the stock market to ethically high-minded stockholders, consumers and employees.

Even though there are various benefits associated with corporate social responsibility, the fact remains that, as Shaw (1988) showed, a single firm can chip away at the laundry list of problems facing society without ever making its presence felt. In addition, a certain outcome would be “free riders”, meaning non-conforming firms in the industry which cut into the “responsible” firm’s profits. In our democratic society, it is the role of our government institutions to deal with the problems facing society, either by uniformly compelling particular behaviours or with appropriate incentives (Shaw, 1988).

2.6 Conscious capitalism

“To be conscious means to be awake, mindful … A conscious business fosters peace and happiness in the individual, respect and solidarity in the community, and mission accomplishment in the organization” – Fred Kofman from Conscious Business (Triplepundit, 2011).

Conscious capitalism is defined as the reorientation of business from being focused solely on the pursuit of profits to being focused on integrity, higher standards and serving all stakeholders – employees, suppliers, customers, investors, the community, and the world at large (Murfdepity, 2012). Conscious capitalism embodies the pursuit of a higher purpose rather than just business as usual. It assumes that the fundamentals of capitalism must change if global businesses, communities and governments are going to thrive (Murfdepity, 2012).

Hanson (2011) described how conscious capitalism has a lengthy history, beginning with the modern debate in 1967 when top executives of General Motors, Ford and
Chrysler saw their city ransacked and burning in the Detroit riots. Hanson (2011) also identified how 44 years of corporate responsibility as conscious capitalism has been restated and reformulated many times to reach in 2011 the proposition that capitalism can be not only responsible and caring, but also conscious.

Conscious capitalism has been adopted by companies with different management practices across various industries (O'Toole & Vogel, 2011). However, Mackey (2011) identified the following characteristics as common to all these companies and distilled the following four principles (Mackey, 2011):

(a) Higher purpose

Mackey (2011) argued that just as professionals have a higher purpose, for example doctors who heal the sick and teachers who educate learners, so companies should also have a purpose beyond the profit motive.

O'Toole and Vogel (2011) expanded on this and added that the higher purpose of the conscious company is to view their profits as the means to a greater end but not as the primary goal of business where short-term profits are not pursued at the expense of ethical, environmental and higher human considerations.

In addition, Bingham, Mitchell, Bishop and Allen (2013) showed evidence that organisations that have a higher purpose or that sponsor socially responsible causes tend to gain greater human capital advantages over those organisations with low or no cause-related initiatives. These advantages include attracting and retaining better talent, greater job pursuit intentions and accepted job offers. This is important in today’s competitive economic environment with Bingham et al. (2013) providing strong evidence that committed employees are essential for organisational success.

(b) Stakeholder interdependence

The conscious business has six major stakeholders which are interdependent: customers, employees, suppliers, investors, society and the environment. In addition to the relationships that exist among them, the conscious business makes decisions in such a way as to optimise value creation for all stakeholders (Mackey, 2011). Value creation and the reporting thereof is done in a triple bottom line approach, focusing on social, environmental and financial performance (O'Toole & Vogel, 2011).
Sisodia (2011) reported similarly by presenting stakeholders as SPICE: society, partners, investors, customers and employees.

(c) Conscious leadership

Mackey (2011) went on to explain that while it is good to have a higher purpose, it will be to no avail if no one in the company understands it or seeks to serve that higher purpose. It is therefore especially important for the CEO and senior management to embody the higher purpose of the company.

This differs slightly from O’Toole and Vogel (2011) who argued that conscious leaders and CEOs become “servant leaders” rather than celebrities in the company and should be paid modestly with long-term ownership positions.

(d) Conscious culture

Conscious capitalism is fundamentally a philosophy and a more complex way of thinking about business which creates a culture that evolves the organisation’s commitments (Mackey, 2011). O’Toole and Vogel (2011) went further by saying a sense of community is created within the company by the involvement of employees in decision making and sharing of ownership.

Yilmaz and Ergun (2008) reported the four major organisational culture traits as involvement, consistency, adaptability and mission. They found that managers aiming to improve their organisational culture should focus on increasing the scores on all these elements.

According to Sisodia (2011), conscious culture specifically is captured by TACTILE, meaning trust, authenticity, caring, transparency, integrity, learning and empowerment, suggesting that culture is tangible. Even though conscious businesses vary in industry and size (Mackey, 2011), these culture traits are common across all.

Where Yilmaz and Ergun (2008) focused on traditional organisational cultures which involve consistency, involvement and adaptability, Sisodia (2011) argued that the conscious culture evolves to a more trusting transparent culture.
O'Toole and Vogel (2011) identified a fifth characteristic other than the four identified by Mackey (2011) as integrated strategies where they characterised conscious companies as integrating in their core business strategy the practice of ethics, social responsibility and sustainability.

### 2.7 The conscious capitalism debate

O'Toole and Vogel (2011) wrote in the article titled "Two and a half cheers for conscious capitalism" that even though the concept of conscious capitalism had been embraced by business leaders, academics and MBA students, they could not give it three cheers as firms would not widely adopt this concept. O'Toole and Vogel (2011) stated that some firms would find it difficult to survive while behaving virtuously and that the conscious capitalism movement is creating unrealistic expectations for corporate performance and could undermine other strategies.

O'Toole and Vogel (2011) raised four problems with the conscious capital business model:

The first issue is that virtuous behaviour and conscious capitalism are difficult for organisations to sustain. To explain this statement, O'Toole and Vogel (2011) gave the example of Robert Owen who became the first textile mill owner to provide employees with benefits during the period 1800-1825 when the milling industry was known as Dickens’ “dark satanic mills”. These included shorter working hours, health and disability benefits, clean, decent housing in a safe neighbourhood free of criminal activities, preschool and day-care facilities as well as schooling for young children and adult night school. His approach reaped profits as well as a productive environment leading to Owens’ company in New Lanark, Scotland becoming the most productive and profitable in the world. However, the co-owners of the mills began to question Owens’ practices and disapproved of mixing philanthropy with business. Owens’ co-owners felt the company would be still more profitable if he ceased treating employees so well and instead increased dividends to its investors. By 1825, the New Lanark mills had shut down (O'Toole & Vogel, 2011).
Second, according to O’Toole and Vogel (2011), conscious capitalism is not for everyone and companies which are start-ups, unprofitable or non-virtuous should not apply the concept.

The third issue is that even though the conscious capital business model is a profitable one, it is not the only viable business model. According to O’Toole and Vogel (2011), companies can also become profitable by laying off many people or with marketing efforts, neither of which incorporate any tenet of conscious capitalism.

Fourth, the characteristic stakeholder orientation is almost impossible to perform as it is virtually impossible to satisfy all stakeholders at the same time and, generally, one stakeholder would benefit at the expense of another (O’Toole & Vogel, 2011).

In addition, Vilanova (2007) raised an alternative theory to corporate governance called short-term salient stakeholder management which is defined by the following attributes: (a) firms are run in favour of one salient stakeholder group with this group having the three attributes defined as legitimacy, power and urgency; (b) the identity of the salient stakeholder group can change depending on the firm considered and the period of time; (c) managers are pledged to the salient stakeholder group; (d) short-term salient stakeholder management increases agency conflicts and may lead to poor performance.

According to Vilanova (2007), the relationship between managers and stakeholders is at the core of the corporate governance debate. Furthermore, if legitimate stakeholders have very different information levels and bargaining strengths, firms are generally governed in the interest of one unique interest group and this autocratic type of governance is unstable in the long term (Vilanova, 2007). As a result of these criteria identified by Vilanova (2007), it is almost impossible to envision an environment where all stakeholders benefit equally on a long-term continuous basis.

Mackey (2011) argued that O’Toole and Vogel (2011) were describing corporate social responsibility and not conscious capitalism. Sisodia (2011) agreed and described conscious capitalism not as companies being virtuous and doing good but rather that conscious capitalism creates a superstructure for business and its reasons for existing, such superstructure resting on the four principles.
Mackey (2011) further stated that it has never been the goal of conscious capitalism to treat all stakeholders equally as this is impossible to achieve. The goal of conscious capitalism is rather to provide optimum value for each stakeholder through the interdependent relationship that exists among them by making considerate “systems thinking” decisions.

Rauch (2011) stated that if conscious capitalism is not for everyone, then not many firms would participate. It is not about the size of the cheque or service donated by the organisation, but rather about the value generated for stakeholders which includes paying taxes, creating jobs, fulfilling vital services and giving meaning to people’s lives.

There are, in fact, other business models that are inherently sustainable and profitable. However, conscious capitalism is not a business strategy or model but rather a comprehensive philosophy of doing business (Sisodia, 2011). Leaders driven by money and profits are leaders who are inherently incapable of inspiring employees to achieve extraordinary levels of engagement, creativity and performance (Sisodia, 2011). Companies cannot offer attractive innovative products if they do not have engaged employees and high-quality suppliers (Sisodia, 2011).

Sisodia (2011) described how most companies increase their gross profit by squeezing their suppliers using their bargaining power. This method of bargaining results in low-quality suppliers that struggle to stay profitable and often have difficulty investing in new technologies. Sisodia (2011) argued further that companies use a similar approach with employees. Often, companies keep their payrolls down by using part-time employees (or independent contractors) who do not receive the same benefits or training as full-time employees, resulting in disengaged and unproductive employees with a resultant high turnover in staff. Compare this to conscious businesses which operate with a lower gross profit and which allow their suppliers to invest in technology and often enter into partnerships with suppliers (Sisodia, 2011). Conscious businesses save money on training and recruitment costs by paying their employees well and being generous with benefits. This also results in the workforce being productive by giving employees a sense of involvement and commitment towards the company (Sisodia, 2011).

Even though the characteristics of conscious capitalism as O’Toole and Vogel (2011) described them are similar to those of Mackey (2011), O’Toole and Vogel (2011) were much more critical in terms of the sustainability of organisations’ virtuous behaviour,
the applicability of the conscious capitalism business model to organisations in different phases of their life cycle, as well as the fair distribution of benefits among stakeholders.

2.8 Conclusion

Even though South Africa’s first democratic government was elected 18 years ago, inequalities have increased in the subsequent years (Leibbrandt et al., 2012). Investment in human capital, as a direct factor contributing to this, has shown improvement at primary and secondary schooling level. However, there has been no significant improvement at tertiary level (Collins & Millard, 2013). Due to intergenerational transfer and the high cost of tertiary education, this may take a long time to correct and, in fact, may even become worse (Nakajima & Nakamura, 2012).

The involvement of government in investing tertiary education must be considered. Even though policies have been developed to focus on poverty alleviation, the scarce resources of government may not be sufficient to overcome this problem (Sylwester, 2000b).

Since 1970 there has been much debate with regard to the role and responsibility of business in society. On the one hand, Friedman (1970) was of the opinion that the sole purpose of business is to make money and it has no responsibility towards its environment. On the other hand, Wagner-Tsukamoto (2007) found that if an investment is made in the environment, ethical capital is created which, in turn, creates value for the business. Important factors to consider are the changes in the environment. Jones and Felps (2013) argued that due to the current state of economic and social welfare, the view of Friedman (1970) is no longer appropriate.

Further, considering the current economic and social welfare conditions, Mackey (2011) wrote that business should go beyond investing in its environment. Mackey (2011) argued that business should have a higher purpose and should consider all stakeholders on a continuous basis which should become the culture of business. While acting virtuously has its benefits, O’Toole and Vogel (2011) questioned the viability of this model in terms of survival for the business.
Businesses trade in various forms in the market place, each contributing to the gross domestic product of the country. While some of these forms of business are required by law to disclose audited information, others are not.

Audited businesses may benefit from ethical capital as a result of investing in their environment or creating a culture within the business leading to better productivity. However, the same cannot be said for smaller businesses. As these businesses are not required by law to disclose audited information, they may not feel the need to invest as no one is really concerned whether they create ethical capital or not. In addition, survival could become difficult due to scarce resources or a single shareholder may feel that the sole purpose of his or her business is to make money for himself or herself.
Chapter 3 Research questions

Following on from the literature review in Chapter 2, which illustrated divergent views, the following research questions were posed:

Research question 1
Do private companies feel it is their duty to invest in the tertiary education of their employees and the youth of our country?

Research question 2
Are private companies currently investing in the tertiary education of our youth and employed, and why?

Research question 3
Have private companies invested historically and are not doing so any longer?

Research question 4
To what extent has B-BBEE influenced the policy towards tertiary education investment of the private company?

Research question 5
Do private companies feel that the constructs of conscious capitalism are applicable to their entity and others trading in a similar environment?

These questions were specifically aimed at companies in the private sector who are not required to perform audits for the following reasons:

- These companies included family-owned businesses generally comprising a single or a few shareholders.
- These companies included partnerships where the business is run in conjunction with a partnership agreement.
- Financial and responsibility results are not as transparent as there is no requirement to perform audits and report on these matters.
- Collectively, these companies could be contributing substantially towards the GDP of the country.
Chapter 2 pointed out benefits received from investing in education, for society and individuals, as:

- increasing economic growth
- increasing innovation
- reducing skills shortages
- reducing inequality.

These benefits were investigated in the smaller business environment.
Chapter 4 Research methodology

4.1 Purpose of this study

This study investigated the private sector, specifically unlisted companies’, partnerships’ and sole proprietors’ sense of duty and responsibility towards being involved in the tertiary education of both their own staff as well as the youth of the country. Chapter 2 indicated that the skills shortage continues to be a serious problem.

For the purpose of this study, own staff included the people employed by the smaller enterprises as well as the children of these employed people. Youth referred to the general youth, in other words any person who has no direct or indirect relationship with these smaller enterprises.

4.2 Research design

The nature of this data collection was descriptive (Babbie, 2013) as it had to determine what, where and how smaller companies trading in the private sector environment had been or still are involved in the contribution to education. The focus was specifically aimed at tertiary education as the literature showed that improvement in this area has been minimal. The data collection was also explanatory in nature (Babbie, 2013) to find out why these companies were and are still investing or contributing to tertiary education, or why they are not doing so. The data collection included whether these companies feel they enjoy the benefits listed in the literature review as a result of such investment.

4.3 Population and sample

The population for this study comprised companies in the marketplace not required by law to perform an audit and report on financial and social responsibility matters. These companies were trading in the form of private companies (Pty) Ltd, close corporations, partnerships or sole proprietors. As some of these trading forms are not required by
law to be registered, the total population was unknown and therefore the sampling
technique of non-probability sampling was used (Saunders & Lewis, 2012). Trading
forms for which there is no requirement to be registered include partnerships which are
run in accordance with a partnership agreement agreed on between the parties
involved.

A company with either of the following characteristics was excluded from the
population:

(1) It should not be trading in the public sector.
(2) It should not be listed on any stock exchange.

4.4 Data gathering and analysis

The data were collected through a qualitative design where in-depth face-to-face
interviews were held with the CEOs of unlisted companies and partnerships. Twelve
CEOs were interviewed and the snowball technique was used to identify various
companies until data saturation was reached (Saunders & Lewis, 2012). The interviews
were held at their respective companies or at venues convenient for themselves. It was
important to let the interview take its course and listen intently to what was being said.
The interviews lasted between 30–50 minutes and were recorded on a voice recorder.

The companies met the criteria of being a private company (Pty) Ltd, a partnership or a
sole proprietor. The private companies had few shareholders and were owner-
managed.

CEOs were chosen because, as decision makers on behalf of their entities, it could be
determined whether they felt a duty or responsibility towards tertiary education access.
In addition, these CEOs had the information as to why the entities made the decision to
have certain policies in terms of becoming involved or policies where the entity chose
not to become involved.

The 12 company CEOs ranged from recent start-up businesses to mature companies.
The companies were selected across this wide range of life cycle to determine whether
policies evolve with the company as it matures.
The 12 companies were situated in Johannesburg and Durban. Seven interviews were conducted with companies based in Johannesburg and five with companies based in Durban. This was done to determine whether the geographical location of the company influenced the company’s policies.

The 12 companies’ CEOs included racial groups of white and Indian. This was done to determine whether cultural background influenced the company’s policies.

Further data were collected through secondary data to ensure all aspects were covered by questions asked during the interview. The secondary data interview consisted of an interview held with a specialist at a registered B-BBEE verification agency to understand clearly B-BBEE as a driver for private entities to become involved in tertiary education for both their own staff as well as the youth.

The interview schedule, contained in Appendix 1, was structured to explore the reasoning behind the answer to each research question. The questions started by determining whether in their opinions the interviewees felt there was a problem with tertiary education. This was followed by determining the sense of duty the company felt towards the solution of tertiary education access through investment, its current and historical policies as well as the reasons why they had chosen to adopt these policies. The CEOs were asked whether they felt the constructs of conscious capitalism, being a higher purpose, six stakeholders, conscious leadership and conscious culture, were applicable to their entity and the environment in which it trades, or whether they felt it difficult to sustain virtuous behaviour, satisfy all six stakeholders and that the theory of conscious capitalism might not be applicable to all industries.

The questionnaire was pretested on a company falling within the requirements of the population, namely the company where the researcher was employed but which was not included in the sample as a result of bias felt towards the company.

The interviews were analysed on a question-by-question basis where trends were identified.
4.5 Limitations

As the interviewees were all decision makers in their companies and were responsible for running these companies, the time available for the interview was short and limited.

It must be taken into consideration that these companies’ policies in terms of involvement or non-involvement are regulated by law. In addition, these companies’ policies have also been shaped by past experiences they have had in their specific trading environment and industry as well as the personal experiences of the decision makers themselves, including the CEOs.

Besides willingness to share information with the researcher and unconscious misrepresentation, it was assumed that the interviewees were honest, truthful and complete during the interview process and accurate information with regard to their company involvement was given.
Chapter 5 Results

5.1 Sample description

5.1.1 Primary data collection

Twelve face-to-face interviews were conducted to collect the data. As the data were collected from a specific sector of the marketplace, careful consideration was given when considering companies for the interview process. The companies all have few shareholders and are owner-managed. As confidentiality was guaranteed, only a short description is given below of the participants without mentioning names and the companies they represented.

Participant 1
The first participant was a partner at an auditing practice. The auditing practice consists of 10 partners and is trading as a partnership. The participant has been involved in the practice for more than 10 years and has various qualifications. In addition, he is a practising member of the South African Institute of Professional Accountants, among others.

Participant 2
Participant 2 was the managing director of a construction company trading as a private company, (Pty) Ltd. The company has four shareholders of which the participant is the majority holder.

Participant 3
Participant 3 was both the financial director and managing director of a national plant hire company. Even though the company had just bought its shares back after acquisition by a listed company, it is currently trading as a private company. The company has two shareholders.

Participant 4
Participant 4 was the managing director of a clearing agent trading as a private company. The company is a family-owned business which has been in the industry for
more than 30 years. Currently, it has two shareholders of which the managing director is one, the other being an offshore investor.

Participant 5
Participant 5 was the chairperson of a manufacturing company which manufactures products used in construction. The company is trading as a private company and has 14 shareholders.

Participant 6
The sixth participant was the chief executive officer of a printing company franchise trading as a private company with three shareholders.

Participant 7
This participant was the managing director and financial director of a recently started logistics company trading as a private company with six shareholders of which two are majority shareholders.

Participant 8
Participant eight was the chief executive officer of a brokerage specialising in employee benefits. The company is trading as a private company and has 15 shareholders as a result of a recent merger.

Participant 9
This participant was the managing director of a construction company trading as a private company with three shareholders.

Participant 10
Participant 10 was the managing director of a private company holding numerous franchises stores within the company which has three shareholders.

Participant 11
This participant was the managing director of a company offering security solutions to the retail sector and trading as a private company. The company has four shareholders.
Participant 12
Participant 12 was the majority shareholder of a manufacturing operation trading as a private company.

All the participants are shareholders in their respective businesses and are often the majority shareholder.

5.1.2 Secondary data collection

The secondary data collection interview was held with a specialist who was a B-BBEE verification consultant to understand how the promulgation of the B-BBEE Act has affected the marketplace and why this Act is just as applicable to private companies as it is to larger, listed corporations.

The specialist also explained how the environment has changed for private companies if they do not follow the guidelines set out in the B-BBEE Act.

5.2 Presentation of results

The results of the interviews are presented in this chapter followed by an analysis of the results in Chapter 6. Participant responses to each research question are listed below.

The information collected from the B-BBEE specialist is presented under Research Question 4 to understand the decisions made by the participants as a result of the B-BBEE Act.

5.3 Research Question 1: Do private companies feel it is their duty to invest in the tertiary education of their employees and the youth of our country?

Prior to determining whether the participants felt they have a duty to invest in the tertiary education of their employees and the youth of this country, it first needed to be established whether they felt there was a problem.
All the participants agreed that there is a problem with tertiary education in South Africa and various specific problems were identified, summarised in Figure 1 below.

Even with selected participants from various industries, geographic areas and ethnicity a clear trend of specific problems was identified which are being experienced. The most common and frequently mentioned problem was the insufficient emphasis tertiary institutions place on apprenticeships and tradesmanships as explained below:

“I think that the tertiary educators need to educate people that it’s not all about just going to do a degree at a university. There should be far more emphasis on apprenticeships in terms of trades, ... 30-40 years ago people went and became radio mechanics and television mechanics and so on and now everyone wants to be an engineer and they want to go to university and become a computer engineer. And I think that it should be the tertiary institutes that actually educate young children and it’s not only about going to the university and getting a degree. There are other avenues.”

The second most frequently mentioned problem raised by half of the participants is a poor education curriculum resulting in a low standard and poor quality of students leaving tertiary education as explained by the participants as follows:

“I can cite you countless examples of guys that come in with diplomas and you ask them how tall they are and they’ll tell you two and a half metres and they’re engineering technicians. They haven’t got a perception of size, length, breadth, weight.”

“The problem that we face at the moment from the company’s point of view is that we have people that come out of tertiary education and they haven’t been educated properly. ... they are pushing through people and because they are pushing through people, we end up with, kind of sausage machine where you get this uniform sausage that is coming out but it doesn’t taste very good.”

The third problem identified by various participants is explained as follows:

“...there’s a lot of clever and intellectual children that do not have the means and the parents don’t have the means.”
Even though intake quotas restriction at tertiary institutions was mentioned as a problem, only two out of the 12 participants brought it up.

**Figure 1 Problems identified in tertiary education**

As this paper looks at tertiary education specifically it will not focus on the problem of career guidance but rather focus on the problem of affordability. To an extent in will cover the problem of curriculum and standards in Chapter 6 when we consider the effect this has had on the small business owner.

Once there was confirmation of a substantial problem in our tertiary educational system, the question was posed to the participants to determine whether they felt that their company has a duty towards involvement in the solution of these identified problems identified (Table 1 below). The feedback was mixed.
Table 1 Responses towards the duty of becoming involved in the solution of tertiary education

<table>
<thead>
<tr>
<th>Participant</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Specifically trades where there are shortages.</td>
</tr>
<tr>
<td>2</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Even though not necessarily in terms of finance but rather involvement in, for example, the curriculum.</td>
</tr>
<tr>
<td>3</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>As much as private sector has a moral obligation towards tertiary education it is government’s duty to educate the population.</td>
</tr>
<tr>
<td>4</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Seeing the need for themselves, companies are taking on this duty to survive.</td>
</tr>
<tr>
<td>5</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>To create a sustainable working economy for the future.</td>
</tr>
<tr>
<td>6</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Private company has a responsibility, but it is government’s duty.</td>
</tr>
<tr>
<td>7</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Larger listed entities do have a duty. However, this does not filter down to smaller private entities.</td>
</tr>
<tr>
<td>8</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>As a part of transformation of the environment.</td>
</tr>
<tr>
<td>9</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>We need skilled people in our future to keep the economy going.</td>
</tr>
<tr>
<td>10</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Even though the company has an in-house responsibility towards its own workforce, the duty rests with government.</td>
</tr>
<tr>
<td>11</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Having personally experienced the benefits of such a programme, it is necessary but with the requirements that the business must benefit from such investment.</td>
</tr>
<tr>
<td>12</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Someone has to drive it as government is not doing much.</td>
</tr>
</tbody>
</table>
Seven participants felt they have a duty to be involved in solving the problems facing our tertiary education system while five participants feel it is the government’s duty to solve these problems. Even so, the five participants who said “no” towards this duty recognised the obligation and responsibility they have towards tertiary education but with the view that their responsibility should focus on the growth of their own employees and this was purely to ensure the company’s survival.

5.4 Research Question 2.1: Are private companies currently investing in the tertiary education of our youth and employed?

With all the participants in agreement that there was a duty or responsibility towards tertiary education, the question was asked whether there was any involvement currently focusing on the problem of affordability.

The investment made by the participants is divided into four different sections

1. Own employees related to the business
   This investment refers to current employees of the business given the opportunity to study in the industry in which the participant trades.

2. Own employees unrelated to the business
   Here the current employees of the business is given an opportunity to study in an industry or area unrelated to the business, one in which the participant is not trading.

3. Children of the employees
   This investment refers to tertiary education of the employees children.

4. General youth unrelated to the business
   Here investment refers to bursaries to school leavers in general.

Table 2 shows the current investments made by the 12 participants divided into the four sections
Table 2 Responses towards current investment made in tertiary education

<table>
<thead>
<tr>
<th>Participant</th>
<th>Own employees related to the business</th>
<th>Own employees unrelated to the business</th>
<th>Children of the employees</th>
<th>General youth unrelated to the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>2</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>3</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>4</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>5</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>6</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>7</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>8</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>9</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>10</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>11</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>12</td>
<td>YES</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
</tbody>
</table>

All the participants are currently involved in the tertiary education of their own staff (table 2), either through in-house courses, outsourced courses, or diplomas and degrees. The main drivers in identifying which individuals to send on courses are B-BBEE guidelines and individuals with the drive and willingness to learn.

The investments made by the participants take place when the tertiary education course which the staff members want to attend is directly aligned to the industry in which the company is operating.

All participants with the exception of participant 10 said that they were involved in making tertiary education available to their employees where such education is not aligned to the industry in which the company is trading (table 2).

Again only participant 10 is currently investing in the tertiary education of their employees' children even though a few did say they would consider it should the opportunity arise but would consider each case on its own merits (table 2).
Participant 4 offers bursaries to school leavers (table 2). These bursaries offered to school leavers are directly aligned to the industry in which the company is trading. Not all students completing this tertiary education are guaranteed employment in the participant’s organisation. Each year, the participant selects some graduates to join the organisation. The number is very much dependent on and dictated by the economic climate and growth of the organisation.

5.5 Research Question 2.2: Why are private companies currently investing in the tertiary education of our youth and employed?

The first area addressed below is the investment in the education of the participants own employees as all 12 participants answered yes to this question when asked if they are currently doing this.

The one common thread which came through strongly from all the participants is that their investment in the tertiary education of their own employees is part of the strategy of the organisation. When using the term “strategy”, various aspects of strategy are included:

“We have to, to ensure a flow of good qualified people … The only way we are going to get you to be the best there is out there is to train you properly.”

“Because in our experience when you've got someone out there who is worrying about how they are going to pay for university rather than focusing on how they going to pass this university, then you sort of do them a disservice in a way, you are putting them in a position where there is this great expectation and hope but very hard to achieve this without some kind of assistance.”

“By us looking after our staff they give us a little bit extra, they come in a bit earlier they leave a bit late, they put in a bit of overtime …”

“Basically, to be self-sustainable, you can't just have people producing the sausages on one side and not communicating with the people who are going to be buying the sausages or using the sausages.”
“It is really purely selfish, we need the people.”

“It is linked to profit and performance, no skill would mean no organisation. It makes business sense to educate and train or skill people up.”

“A very selfish reason, to attract and retain good skill"

“If your staff is happy and well trained and they feel like you're investing in them, they will be giving back in what you need so you always get a return.”

“I need the experienced individuals with the correct tertiary knowledge in order to succeed in this business and conditions.”

“Selfish, their efficiencies increase financial performance.”

“For our own benefit as well as that of the staff, even though BEE has put a lot of pressure on us to become involved.”

Further reasons why the participants have chosen to become involved are as follows:

 “… most people today don't come from privileged homes and are not able to provide for themselves and I think here they feel we’ve given them an opportunity to better themselves … and hopefully they do.”

 “… in order to get the country to work everybody needs to do what they can … we have a fairly unique unemployment problem stemming from the traditional old apartheid years and business needs to try help bridge that gap …”

“Social responsibility starts at home … and we’ve seen the effect it has”

“… these kids coming out of school need some kind of a future and we can help give the people that …”

“One, we have a conscience, two it helps our BEE status. As a business we've always said, ‘If we don't give we don't get’ so it's imbedded in our culture.”
“My policy is: You must never be a taker only. Life is about givers and takers. If you don’t give, you will never receive.”

“BEE is one of the core reasons we decided to become involved but secondly, because it feels good to make a difference in someone else’s life”

The second common theme among reasons for participants becoming involved is to improve their BEE status while the third theme is as part of a social responsibility programme that helps to provide a future for the youth. It must be stressed, however, that this pertains only to the youth in their immediate environment.

The second and third areas of investment are discussed together as there was only one participant who responded to the question of their involvement in the studies of their own staff where these studies are not directly aligned to the industry in which they trade or the studies of the children of their staff members:

“If they do another course that’s not really to do with us, we will not deny them that, we will still help them financially. But that will be in the loan form, that they can do whatever they like. And I’ll say is if its psychology they want to swot, they will go that field, but in the meantime they are good workers for us. We will help them to get to that because I don’t want to prevent people and stop people to get to their dream.”

“We don’t have a policy per se because that can bite you back. If you have a policy you have to execute that policy. We will make ad hoc decisions in cases like that. So it will be one on one or a specific case that we will adjust, obviously people that’s been with us for a long long time, we help them. Because you are not only paying them a salary, you know, that will keep them.”

The fourth area relates to the one participant who invests in education of the youth in general. It must be pointed out that even though this tertiary educational investment relates to the youth in general, it is still directly aligned with the industry in which the company is trading. The response to why the investment was made is as follows:

“… these guys coming out of school need some kind of a future and if we can give the people that come in and we let go again, because the learnerships don’t stay, it’s a year. We then decide which learnerships we think fit into which
division and then we keep. This year we have kept four of the 10 that we had. The rest get let go. They can then go and work for other ... companies. They can get references from us, they've got their certification, and they can go and visit ... companies who need staff now as well. So they get all of that from us, but we don’t keep them. We do keep the good ones though.”

5.6 Research Question 3: Have private companies invested historically and is not doing so any longer?

All the participants are currently involved in investment in tertiary education and have not ceased this investment. It was found that as the business grows, policies evolve and should a certain policy not be working for the participants, they may be altered slightly but not stopped. A driver behind this continuation of investment is B-BBEE.

5.7 Research Question 4: To what extent has B-BBEE influenced the policy towards tertiary education investment of the company?

To understand the implications of why B-BBEE was important to the participants, an interview was held with a B-BBEE specialist who conducts B-BBEE audits on entities and who also provides consulting advice.

The interviewee explained how B-BBEE is measured by the development of the seven constructs of ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development activities through investment. Higher levels of investment lead to a better score with the best score being 1 and the worst 8.

Skills development of the entities’ own employees is claimed under skills development. This applies to black (African, coloured and Indian) employees only with the exception of the construction industry which makes provision for black and white employees. Investment in education for anyone outside the entity can be claimed under socio-economic development but only for black persons.
Charters were released by the DTi for various industries in the economic environment. When asked about these charters, the interviewee responded that in terms of difficulty in achieving the levels of investment set out by the various charters, they are very much the same across all industries. In fact, the target, for example, for socio-economic development is exactly the same across all industries.

The interviewee made the following comment:

“It is quite a lot of money to spend for the smaller companies, but I don’t see BEE as this big monster that is just taking money that you cannot afford.”

This comment was made when the interviewee explained the measurement criteria as a percentage of net profit after tax or turnover or when a net loss is made in a specific year. The interviewee explained that even if a company does not reach the level of contribution required as calculated using these two methods, pro rata points are still allocated for the values that were, in fact, contributed.

When asked why it would be so important for any business including smaller businesses to have a good B-BBEE score, the interviewee explained:

“The implication is really very simple. There is no law that says that any company in South Africa must have a BEE certificate. However, the law does state that if you want to do business with government and government institutions and certain other institutions, your tender may not be taken into consideration without a BEE certificate. There is a distinct difference between the two. Nobody says that you must have one, but if you want to do business with them, they may not consider your tender without it.”

“In my experience, without a BEE certificate we simply cannot do business.”

Considering the impact B-BBEE has had on the economic environment, the question was then posed to the participants whether B-BBEE has influenced their involvement in tertiary education.

The responses were almost evenly split. Seven of the participants said that B-BBEE has had no effect on their involvement in tertiary education. As the company grow the
involvement grows and these involvement rates are in line with and sufficient for B-BBEE requirements. “Same growth of involvement” refers to the policies in terms of the level of involvement of the company and not the demographics of employees being educated which has changed slightly since the introduction of B-BBEE (Figure 2).

Five of the participants, however, felt that B-BBEE has been a stick in their involvement in tertiary education, resulting in their adoption of more aggressive policies where it might otherwise have taken these entities longer to reach their current level of involvement (Figure 2).

**Figure 2 The effect of B-BBEE on tertiary education involvement**

![Pie chart showing the effect of B-BBEE on tertiary education involvement.](image)

The comments of participants who have not changed their policies in terms of involvement are as follows:

“Well before BEE scorecards and things, we’ve always had people at tech. Obviously with BEE scorecards the colours change, but that’s not a bad thing either. As I said, you know, we’ve got to look at the future of the country.”

“So, I agree and in a way I do appreciate the constructiveness of the BEE thing where they push for skills development. And I am for that.”
“… it’s inbred in our culture, in the business, that be there BEE or not, we have always participated in those things.”

“Although I get BEE points, I have never done it as a result of strictly BEE.”

“Where I come from and have been, when I can help people I will. But not a total stranger that I don’t know because that to me is not the way it should be. But if its people that I know or I’m impressed by people that I know, I say I will evaluate the case then. It will never, never be about colour, creed or gender, it was about the person. The student itself.”

Participants where the policies did change as a result of B-BBEE had the following to say:

“… regarding BEE and if we don’t get our points up to a level 3 or 4, that makes our lives to trade in this country.”

“… it wouldn’t have been as aggressive to run it now. BEE is fast-tracking it.”

“If it wasn’t for BEE I wouldn’t, I would still train. But I will train on merit purely. And if you do that you go and end up with a better person. More equipped person down the line as opposed to oh well it’s got to be a BEE ... a black person and it’s number driven thing. I’m not saying you won’t get black people through, it’s just, you would a lot more selective and on par and you know, some might be black, some might be white, it might even get an Afrikaans one”

“BEE sparked if off”

“I mean if the stick wasn’t there, we would probably still have done it but would we have done it from the year two, no, probably not. Probably would’ve said let’s get established and then get involved.”

“Not to the level that we have. No we wouldn’t have. “

“We’ve learned to feel good about it but had we not started from a regulatory environment again we wouldn’t have gotten to this stage where we feel good.”
"We would’ve done some but not as much. BEE has most definitely put some pressure on us. “

5.8 Research Question 5 : Do private companies feel that the constructs of conscious capitalism are applicable to their entity and others trading in a similar environment?

The six independent stakeholders identified in conscious capitalism are the customers, employees, suppliers, investors, society and the environment where, while operating independently as stakeholders, relationships nevertheless exist among them.

Having focused on employees and their interlinked relationship with the other five stakeholders, the participants were asked whether they felt it was possible for smaller entities in their environment to promote a higher purpose which must be absorbed by conscious leadership to create a conscious culture within the entity.

“Everyone has some kind of social responsibility one way or another. I think as a start-up business it is much more difficult to have and adhere to these social responsibilities because you are out to chase a profit but regardless of what these guys opinions are, my opinion is that at the end of the day if you’re not going to make money, there is no point in being in business. So yes, it is important that your ultimate goal has to be to make money. At the same time, you do need to give something back to the people who help you, your staff, and your clients etc. you do need to give something back.”

“The higher purpose is a nice to have, but at the end of the day, a business is essentially left for a profit initially. For start-ups, it's close to impossible to start a business in a competitive environment driven by a higher purpose when you're battling to meet salaries and wages at the end of the day. You know from the stakeholder’s side, I think it's a difficult mix to try and please everybody all the time. And I think at the end of the day business is driven by profit …”

“If you don’t have money, you can’t spend money. So that’s a given. If you’re a start-up or non-profitable, it’s not going to work. Look, once you are established,
you can most probably do more especially if you've got solid income coming in every month. But it's logical."

“My take is that they are all right in the right season. Neither of them is wrong, there's a season for it.”

“It makes commercial sense to be virtuous. Let me tell you that that higher purpose helps you build your brand. So we can say its virtuous but it makes good business sense. And it’s the extent to which you do it …”

“It’s an evolution. Appropriate at a certain time in your business.”

“Yes, I say it is difficult to be virtuous because it’s so expensive, because the demands are so high. So you have to very selective in what you do and to burst O’Toole’s bubble, we don’t do it because we’re trying to be virtuous, we are doing it personally because we are required to do so by law to maintain our BEE standards. And secondly we’ve learned to feel good about it. But had we not started from a regulatory environment, again we wouldn’t have gotten to this stage where we feel good.”

“You know it has all got to do with affordability …”

“Yes, I think why you go into business is to generate your own profits otherwise you might as well stay with a pay check. It’s as simple as that. So there must be one or other reward for that. But I think the bigger the company becomes, the more room there is to address these issues like the environment and society etc., etc. Because you’ve got let’s say some extra money or excess funds to apply to that. Obviously a business is first and foremost profit and then fun and not the other way round. So the fun includes all the extras and that includes society and the environment.”

“It is difficult. I think it is a far-fetched idea, it will work in a business after 10 years possibly when there are enough profits to sustain the business and there is enough money to pay for expenses. So I think in today’s world and in society today it is not going to work. That theory would work in old times where there was no high cost of living, there were no high technological changes, there were no politicians involved taking your money. That is how I feel. So I feel in
today’s world first you have to think about your own pocket which you will do first for your business and your staff. In my case, 14 families that I have to sustain and make sure that they have a job so if that is my main purpose, I would disagree with this law or this theory.”

“I think, whatever you do, you’ve got to keep a balance. That’s the main thing. I think anyone who’s too greedy, you going to back fire. You’ve got to give to get. That’s our philosophy, we’re not a greedy company. Obviously, shareholders who risk the money, deserve to get their money’s worth. And by the same token, we feel that it’s our responsibility to keep the company going and growing …”

The responses received from the participants allowed the conclusion that even though behaving virtuously is important to the entity, the business environment for the small business owner is challenging and it is not always possible to contribute. Due to high start-up costs with few resources, it is virtually impossible to behave virtuously during the first few years of trading. Furthermore, the participants raised the point that small business owners are running their businesses first and foremost for themselves as their livelihood, secondly for a return on the capital they invested in the business, and thirdly for their employees to provide a stable environment for their families. Smaller entities operate as a close-knit family unit. As a result of this, it makes satisfying all stakeholders impossible even though two stakeholders are receiving benefits.
Chapter 6 Discussion of results

This chapter analyses the findings of the primary data as presented in Chapter 5. It first considers the primary data collected from the participants’ interviews combined with the information received from secondary data interview. The results are compared with the theory and then conclusions are drawn.

6.1 Research Question 1: Do private companies feel it is their duty to invest in the tertiary education of their employees and the youth of our country?

The data showed that seven participants felt they had a duty to be involved in the solution of tertiary education while five participants felt it was the government’s duty to resolve the problems facing tertiary education.

No literature was found on the duty of private-sector involvement in tertiary education and the five participants were accurate when saying it is government’s duty to resolve the problem. As government has scarce resources which need to be allocated to various sectors including defence, education and infrastructure (Sylwester, 2000b), the impression is created that not much is being done by government to resolve the problems experienced in tertiary education.

The result is a challenging trading environment for business. The skills needed for business to thrive are not being generated by tertiary education and South Africans are entering the labour market without the education necessary to gain employment or to earn a decent wage (Leibbrandt & Levinsohn, 2011).

This places an additional responsibility on business owners and even though there is no agreement when calling it a duty, all participants trading in the private-sector environment feel a responsibility towards rectifying the problem.
6.2 Research Question 2.1: Are private companies currently investing in the tertiary education of our youth and employed?

and

6.3 Research Question 2.2: Why are private companies currently investing in the tertiary education of our youth and employed?

The data showed that all 12 participants are currently investing in the tertiary education of their own staff (Table 2). This training is directly aligned with the industry in which participants operate.

Of the 12 participants, only one is currently investing in tertiary education for the general youth, the children of their employees and their own employees’ education that is not aligned to the industry in which the participants are trading. These are not all the same participants.

It may be supposed that the reason for this investment is to improve inequalities which have increased in the post-apartheid era (Leibbrandt et al., 2012) as Sylwester (2000b) theorised that countries which suffer from inequalities are more likely to experience slower economic growth. This problem is further aggravated due to the high costs of tertiary education and the unlikelihood that a large portion of the population will ever have access to tertiary education (Nakajima & Nakamura, 2012).

Even though the investment made by the private sector is indirectly resolving the problems highlighted by Nakajima and Nakamura (2012), on enquiry it becomes clear that the reason for this investment made by the participants is purely selfish and strategic.

The most common theme arising from all 12 participants is that an investment in their staff results in more focused, committed employees who are willing to go the extra mile for the organisation which has a positive effect on profitability and performance.

Other themes included providing a future for the underprivileged, resolving a unique unemployment problem stemming from the apartheid era, giving back to the community in order to receive and the good feeling when giving back to the community.
Even though their own selfish reasons are the main driver behind the investment, private-sector entities recognise their responsibility towards their community. The next question tested whether this responsibility stems from the introduction of B-BBEE into the trading environment or as a result of conscious capitalism.

6.4 Research Question 3: Have private companies invested historically and is not doing so any longer?

As none of the participants have ceased their investment there is no discussion here.

6.5 Research Question 4: To what extent has B-BBEE influenced the policy towards tertiary education investment of the private company?

The data showed that seven of the 12 participants have not changed their tertiary investment policies as a result of B-BBEE but rather that this type of investment has always been a part of their strategy and is embedded in their culture. The participants stressed that these policies for investment in tertiary education have always been in place and have evolved over the years, often changing as a result of the changing needs of the organisation, the needs of the employees as well as the economic environment (Figure 2).

The remaining five of the 12 participants felt that B-BBEE initiated and increased their involvement in the tertiary education of their employees. This may not appear to be a large number, but considering the sample size of 12, it is almost 50 per cent. Some participants went as far as to say:

“BEE sparked it off.”

“BEE is fast tracking it.”

“… BEE reprioritises your business. Every business has 100 things that they need to do. The compliance just moves it up in priority.”
Others felt that training and education would nevertheless be provided, but would be selective on the basis of merit where B-BBEE is concerned only with the numbers in terms of black people. It must also be taken into account that once training and education has been provided, it cannot be taken away and the individual has gained an invaluable asset.

The literature showed how B-BBEE was introduced to redress the historical legacy of workplace discrimination (Horwitz & Jain, 2011) and to ensure that all people in South Africa enjoy the right to equality (Laher, 2013).

Hoffman (2008) raised the concern that B-BBEE would result in a class of black elites which would be generated through the ownership measurement of the B-BBEE scorecard. However, Patel and Graham (2012) found that even though the elite continues to benefit from deals, employees are also beginning to benefit from B-BBEE to some extent. This can be confirmed with the involvement of private-sector companies coming on board with the development of their employees.

Even though B-BBEE compliance in South Africa is not a legal requirement as Laher (2013) pointed out, organisations with a better B-BBEE score would be preferred when transactions take place. This creates a commercial incentive for all entities in the business environment to comply, the commercial incentive being allowed to continue trading effortlessly in the marketplace.

This commercial incentive, which forced five of the participants to become involved in tertiary investment, has put financial strain on small businesses. When participants were asked what would happen if more rigorous policies were put in place, they responded by saying it would leave a bitter taste, they would become unwilling givers and some small business owners would leave the environment and close their businesses. One participant went so far as to say:

“It’s a very fine line. If government starts putting too much pressure on companies, companies would close. If an entrepreneur gets squeezed too hard, the best option would be to leave. Close up and do something else.”

A participant, being an entrepreneur himself, described the small business owner as follows:
“... our business is not corporate. We fall into the description of an entrepreneur and just by culture an entrepreneur is like a wild stallion that needs to be able to run. The more you put chains and guards on it, you’re making it a corporate and then it’s not successful … we need to have freedom. We don’t need to have constraints by being forced into laws.”

“If government makes investment a duty through legislation, it makes people very unwilling givers. Then you ask the question, what next? Aren’t we paying enough already? Aren’t our taxes sufficient? It’s a very fine line, it becomes seen as if government is becoming more and more an enemy of small businesses.”

The feeling of the participants towards being rewarded when investing in tertiary educations is different, with this being attractive to the small business owner.

It was found that the purpose of B-BBEE to remedy imbalances resulting from the apartheid era (Horwitz & Jain, 2011) is starting to filter through to the private-sector environment where small business owners are investing in the tertiary education of their employees. B-BBEE has not, however, encouraged investment in the general youth. With an unemployment rate of 25 per cent, this is resulting in a large portion of the population being unemployed and not having access to tertiary education. To bridge this gap, an approach of using legislation to force investment in tertiary education on business would be destructive towards small businesses and would result in many businesses closing. An alternative of rewarding those companies investing in tertiary education would be more acceptable to small business owners and would allow employees and non-employees to receive the benefit (Patel & Graham, 2012). Such investment would, however, be dependent on the economic environment in which the entities trade.

6.6 Research Question 5: Do private companies feel that the constructs of conscious capitalism are applicable to their entity and others trading in a similar environment?

The data showed how the participants recognise their responsibility towards their community and the importance of giving back to the employees who staff the business.
The commercial benefit of such investment is highlighted by the participants through the positive effect it has on the entities’ brands where the business is perceived to be one that does not just take but also gives back to the community, also where investment results in more focused and committed staff.

However, such an investment it is not always simple. Participants commented how the risk absorbed by themselves being a small business owner needs to be rewarded in terms of profit. If the business is not profitable, then there is no point. One participant said:

“Why you go into business is to generate your own profits otherwise you might as well stay with a pay check. It’s as simple as that.”

These owner-managed businesses provide a livelihood for the owners and do not represent spare cash invested on a stock exchange.

Profitability of the entities is of utmost importance to the participants, not only for their own gain but also for the responsibility they have towards their employees which is taken very seriously, with one participant saying:

“... 14 families that I have to sustain and make sure that they have a job so if that is my main purpose”

Two of the participants represented start-up businesses with their companies having been operational for only four years. It was highlighted how they are faced with an environment where they having to compete with established businesses. As a result of this, overheads are kept to an absolute minimum to allow the entity a chance to survive and to become profitable and sustainable as soon as possible. This makes the start-up business’s responsibility towards its environment even more difficult as there is no excess cash or resources available to invest. This was explained as follows:

“For start-ups it’s close to impossible to start a business in a competitive environment driven by a higher purpose when you’re battling to meet salaries and wages …”

“... I think the bigger the company becomes, the more room there is to address these issues like the environment and society etc.”
The applicability of conscious capitalism to the private-sector environment was described as an evolution:

“I think it’s a far-fetched idea, it will work in a business after 10 years possibly when there are enough profits to sustain the business …”

“It’s an evolution, appropriate at a certain time in your business.”

Even with the higher purpose being an evolution, the participants made it clear that if there is no money, there will be no higher purpose, no company, no employment and no contribution to any of the six stakeholders. The first and easiest cost to cut during tough times is the contribution towards the higher purpose.

When looking at the origin of the higher purpose, the theory shows it started in 1970 when Milton Friedman wrote that the sole responsibility of a business is to make money for its shareholders, and that the actions of the shareholders and managers are regulated by the invisible hand of the market as well as codified business laws. Thereafter followed corporate social responsibility which was described by Husted and Salazar (2006) as the impact business behaviour has on society. Mackey wrote in 2011 that an entity taking responsibility for its behaviour is not sufficient but that is must have a higher purpose beneficial to its six stakeholders embodied through conscious leadership and a conscious culture within the entity creating conscious capitalism.

In more detail one of the four constructs described by Mackey (2011) is that the entity must have a higher purpose. O’Toole and Vogel (2011) added to this by saying that this higher purpose should be the primary goal of the business rather than making profits. The higher purpose then creates other benefits such as greater human capital advantages where talent is attracted and retained (Bingham et al., 2013).

The six stakeholders are the customers, employees, suppliers, investors, society and the environment. The higher purpose benefits these stakeholders as the entity makes decisions in their interests (Mackey, 2011) due to the relationships that exist among them even though they are independent.

For everyone in the entity to understand the higher purpose, it is especially important for the CEO and senior management to embody the higher purpose in the entity
through conscious leadership (Mackey, 2011). This results in a conscious culture that is a more trusting transparent culture (Sisodia, 2011).

Looking at the data while considering the theory it was found that conscious capitalism and the constructs thereof are not applicable to the environment for the small business owner:

1. The higher purpose

While small business owners are aware of the importance of having a higher purpose, this is secondary to the main purpose of the small entity where each decision is made considering the profitability of the organisation.

When looking at the macro environment, it was also shown how important the macro-environment is for the entity and its higher purpose. For example, when the economy goes through a period of recession, small business owners immediately change their strategy to one of survival and cut costs where necessary.

This is done as a result of the personal stake the individuals have in the entity. Failure to remain profitable will result in the closure of the business and the loss to the owners of their sole source of income. The business is not only the owner's sole source of income, but is also responsible for the income of its employees and creates a close-knit family environment in the business.

2. Six stakeholders

When looking at the six stakeholders, it can be seen that a relationship does exist among them. For example, a decision by the entity to invest in employees' education is beneficial for the employees, suppliers, customers, investors, society and the community. However, the criticism was raised by O'Toole and Vogel (2011) that the benefits received by employees are much greater than those received by the other stakeholders.

Even if this benefit is not equal and tertiary investment is the optimum value for all stakeholders (Mackey 2011) one has to consider where the money will come from to pay for this investment and the possible result it could have where
suppliers are being squeezed for better prices or customers pays a higher price, resulting in an environment where the value is not optimum.

3. Conscious leadership

With small business owners focusing on survival and making profits, no higher purpose is absorbed by the CEOs of the entities even though they do project the image that the company does not just take but also gives back to the community.

4. Conscious culture

With the four major cultural traits being involvement, consistency, adaptability and mission (Yilmaz & Ergun, 2008) the question was asked by one of the participants:

"Would an employee forfeit a bonus for skills development?"

Regardless of what the entity tries to enforce as a culture, individuals will always take care of themselves first regardless of how involved the entity would like them to be.

Comparing the data to the four criticisms raised by O'Toole and Vogel (2011):

1. The first criticism raised by O'Toole that virtuous behaviour is difficult to sustain is applicable to the environment of small business owners. The reason for this is not because of shareholder demands changing as the shareholder or one of the few shareholders is also the CEO, but because of a changing macro environment. For example, the participants made it clear that in a recession the first cost they cut is virtuous spending.

2. The second criticism that conscious capitalism is not for start-ups was proven. Two participants in the sample stated how virtuous behaviour was not on the radar for the first two years of trading. This is not only because of the money required, but also scarce resources which are employed minimally in an effort to become profitable enterprises as soon as possible. These limited resources result in limited time to become involved in any virtuous behaviour. In addition,
most start-up businesses do not generally generate profits for the first few years of trading.

When the established businesses in the sample were asked the same question with regard to start-ups, the feeling was that it could take up to 10 years for a business to become established and virtuous.

3. O’Toole and Vogel (2011) pointed out that there are many viable business models. An example was explained by Participant 12. The participant explained in detail how a few years ago with a booming economy they had decided to introduce a monthly profit-sharing scheme for their employees. The business is situated close to a rural community which is far from the nearest town. The profit-sharing scheme worked well with the employees as well as the community enjoying the additional benefit. The problem arose when a year or two later the economy went into recession and the employees felt the company was depriving them of their money when, in fact, it was just not making any money. Riots started which turned ugly, the management of the entity received death threats and the entity almost closed down. This resulted in the entity now having only a few key employees who are permanently employed with the rest of the staff outsourced to a labour broker. The participant stated that it was sad as the labour broker is now making all the money and the employees are getting the short end of the stick, but stressed how this business model works better for them due to the volatile environment in which they operate. This proves that in different macro-economic environments the conscious capitalistic business model will not work.

4. O’Toole and Vogel (2011) wrote how it is virtually impossible to satisfy all stakeholders at the same time and generally one stakeholder will benefit at the expense of another.

Research Questions 1–3 focused on our country’s history, the inequalities we face as a result of the apartheid era and government’s involvement in tertiary education through the promulgation of the B-BBEE Act. They explored the effect this Act has had on small business owners and highlighted how it has caused the very effects discussed by O’Toole and Vogel (2011). Legislation and government involvement in the macro environment has forced business to
focus their strategies to benefit one of the stakeholders, the employees of the entity.

It became clear that the environment in which the small business owner trades is very different to that of the larger corporate businesses. The small business owner is generally also the person managing the entity. This person focuses on remaining profitable for the benefit of firstly the business owner and secondly the employees as a result of the closely-knit family environment.

It further highlighted how macro-environment factors influence the company’s strategy and results in the focus on one or more of the stakeholders, but not all stakeholders.

As O’Toole and Vogel (2011) wrote, the conscious capitalistic business model is a viable model but is not the only viable model and is not applicable to all entities trading in the business environment.
Chapter 7 Conclusion

This chapter summarises the key findings of the research.

7.1 The history

This study looked at specific players in the macro-economic environment, namely small business owners who are not required by legislation to report on their financial performance or corporate social responsibility activities.

This study also explored the unique inequality problems facing our country, problems stemming from a history of apartheid and the possibility that tertiary education could be a solution to these problems. It looked at government involvement in the solution through policies and procedures with the promulgation of B-BBEE. It considered the small business sector and the sense of duty or responsibility it may or may not feel towards the solution of tertiary education fuelled by the effects experienced in the sector as a result of the problems.

7.2 The findings

While considering how B-BBEE has sparked the involvement of small businesses in tertiary education, the study explored the effect B-BBEE has had on the theory of conscious capitalism while looking at the owner-managed business and his or her wishes as described by Milton Friedman.

The four constructs of conscious capitalism were proved wrong as the study showed that due to the business being the CEOs sole source of income with an obligation towards their employees, their main aim is always to be profitable.

The study also showed how the second construct of six stakeholders is unbalanced as legislation intervenes and forces enterprises to prefer one stakeholder above the others.
Further, the study showed how the entrepreneurs’ drive to succeed leaves any other higher purpose towards the six stakeholders in second place. As a result, this secondary higher purpose fails to become a conscious culture.

The final point, raised by O’Toole and Vogel (2011), is that it is impossible for any start-up business to focus its cash and resources on a higher purpose other than becoming profitable while it is making losses and resources are stretched.

7.3 The model

Figure 3 Conscious capitalism within the business life cycle
The orange line in figure 3 represents the business life cycle from the start up phase through the growth phase where it matures and then starts to decline. The decline phase does not necessarily occur should the business owner invest in organization expansion, which could include anything like new or improved technologies, additional capacities or new and/or improved products. The organizational expansion is represented by the orange dotted line which continuously occurs as the business owners continuously invest in the organization.

The yellow line represents the evolution of the conscious capitalistic behaviour of the small business owner once the business has become established and has entered the growth phase. It shows how, should the entity enter the decline phase, the conscious capitalistic behavior will come to a halt as the entity would employ survival strategies.

Finally it shows how these two patterns are affected by macro-economic factors. These factors include:

1. Globalisation
   Here the example of the recession can be used which also effected the small business owner.

2. Culture
   Culture refers to the culture experienced in the macro environment for example competitors as well as the culture within the organisation described in Chapter 6 as a closely knit family in the small business entity.

3. Labour conditions
   As described by participant 12 in Chapter 6 how unrest and unfavourable labour conditions affected their labour and community involvement.

4. Legislation
   For example looking specifically at B-BEEE which favour certain stakeholders and level of involvement.

5. History
   Considering the macro environment and shortages experiences by all participants created as a result of our country’s history.

Even though the small business owner understands and accepts his or her responsibility toward the stakeholders there are various factors which influence the level of involvement the small business owner has toward these stakeholders with ultimately the main reason of personal gain.
7.4 Areas for future research

With so many problems identified in our secondary and tertiary curriculums, can curriculums hamper the economic growth of a country?

How are private-sector entities managing in a challenging trading environment in terms of legislation and skills shortages?

How are macro-economic factors influencing conscious capitalism within the entity globally?
References


APPENDIX 1 Research questions

1. Describe the state of tertiary education in South Africa.
2. Confirm there is a substantial problem.
3. Is there a duty on the part of business to be involved in the solution of tertiary education in South Africa?
4. Does that duty extend to private companies? And why?
5. What does your company do to fulfil its duty? And why?
6. If your company is not fulfilling its duty currently, has your company historically done anything to do so? If yes, why not any longer?
7. What is the future outlook in terms of involvement for the company? What would the company’s feelings be towards being forced to fulfil this duty? What would the company’s feeling be towards being rewarded to fulfil this duty?
8. Does the company believe that conscious capitalism and its constructs of:
   - higher purpose
   - six independent stakeholders
   - conscious leadership
   - conscious culture

are applicable to the company and others trading in the private sector industry, or does it believe it is difficult to sustain virtuous behaviour described in conscious capitalism, that it is not applicable to all industries and that it is impossible to satisfy all six stakeholders? Why does the company have this view?
### APPENDIX 2 List of interviewees, trading form and industry

<table>
<thead>
<tr>
<th>Title of respondent</th>
<th>Trading form</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Partner</td>
<td>Partnership</td>
<td>Auditing and accounting</td>
</tr>
<tr>
<td>2. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Infrastructure construction</td>
</tr>
<tr>
<td>3. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Hire of plant</td>
</tr>
<tr>
<td>4. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Import/export clearing agent</td>
</tr>
<tr>
<td>5. Chairman</td>
<td>(Pty) Ltd</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>6. CEO</td>
<td>(Pty) Ltd</td>
<td>Printing/franchising</td>
</tr>
<tr>
<td>7. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Logistics</td>
</tr>
<tr>
<td>8. CEO</td>
<td>(Pty) Ltd</td>
<td>Employee benefits</td>
</tr>
<tr>
<td>9. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Infrastructure construction</td>
</tr>
<tr>
<td>10. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Cellular technology</td>
</tr>
<tr>
<td>11. Managing Director</td>
<td>(Pty) Ltd</td>
<td>Security solutions</td>
</tr>
<tr>
<td>12. Majority</td>
<td>(Pty) Ltd</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>shareholder</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 3 Secondary data interview

1. Andre BEE Verification Agency (Pty) Ltd