Gordon Institute of Business Science
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The role of automotive manufacturers in the Supply chain diversity programmes of Black-Owned motor dealers in South Africa

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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.

KEYWORDS

South African automotive Industry, BBBEE, Diversity and Inclusion, Supply chain development

ABSTRACT

Automotive franchise dealerships in Suth Africa are predominantly white owned. Research shows that inclusion of black ownership in the automotive supply chain has historically been skewed toward upstream. This research set out to explore why, despite regulatory requirements, efforts by the OEMs, industry bodies and the interest by black investors, there are still a few black-owned automotive franchise dealers.

Research confirms that there has been limited study on the progress of BBBEE in the downstream supply chain of the automotive industry with a particular focus on black dealership owners. Qualitative research was undertaken to explore this knowledge gap on BBBEE through diversity and inclusion, supplier selection, supply diversity and sort to gain understanding on the supplier development plans of the 7 manufacturing OEMs. Thematic analysis of the results shows that the selection processes and actions of the OEM do not align with their ambitious plans to transform the dealer network. OEMs have since changed the selection of dealer investors to include black ownership requirements, which they deviate from at their discretion. This is further aided by the absence of regulatory policing on compliance on such aspect of transformation. The results do not show concrete supplier development programmes to bring about the necessary transformation.

The OEM stringent requirements to qualify for dealerships with high barriers of entry remain in place. These barriers include capital and extensive experience in the automotive industry, experience which the black investors with the capital do not have, and capital which black potential investors that have experience cannot access.

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.

Signature_____ Date _____

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LIST OF ACRONYNMS

AITF	Automotive Industry Transformation Fund
APDP	Automotive Production Development Programme
BBBEE	Broad-Based Black Economic Empowerment
BMW	Bayerische Motoren Werke
CC	Corporate Citizen
CSR	Corporate Social Responsibility
DTI	Department of Trade and Industry
ESD	Corporate Enterprise and Supplier Development
GDP	Gross domestic product
GIBS	Gordons Institute of Business Science
GVA	Gross Value Added
MNC	Multinational Corporate
NAAMSA	National Association of Automobile Manufacturers of South Africa
NADA	National Automobile Dealers' Association
OEM	Original Equipment Manufacturer
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
SAAM	South Africa Automotive Master Plan
SME	Small to Medium Enterprise

CHAPTER 1 INTRODUCING THE RESEARCH PROBLEM

1.1 Introduction

South Africa automotive industry

This paper explores diversity and inclusion and supply chain diversity programmes in the context of the appointment of black entrepreneurs in the retailing of franchise new vehicles sector, with franchises with the multination Original Equipment Manufacturers (OEMs) in South Africa. A PESTEL analysis (Annexure 1) shows the South African automotive industry as a global player and major contributor to the country's Gross Domestic Product (GDP). The automotive sector accounts for an average of 5.3% of the GDP, contributes 3.2% to the manufacturing sector, and is equal to 2.1% of the country's retail sector (Mabasa, 2024). In South Africa the major Original Equipment Manufacturers (OEMs) that produce and assemble vehicles are BMW, Mercedes Benz, Isuzu, Volkswagen, Ford, Nissan and Toyota (Mashilo & Moothilal, 2022), which are mostly multinationals. Combined, these OEMs have made an investment of R7.3 billion and were employing approximately 110 00 people in 2019 (Mashilo & Moothilal, 2022). Importers and distributors of motor vehicles are out the scope of this research.

In view of the multiple multinational players in the assembling of vehicles in South Africa, research shows that there is little room for South African capital looking to enter the market due to high barriers to entry (Vilakazi et al., 2020).

Opportunities for South African black entrepreneurs is then left in the Tier1 component manufacturing or the retailing of vehicles (Vilakazi et al., 2020). Industry bodies like the National Association of Automobile Manufacturers of South Africa (NAAMSA) give context to the size of the automotive retail market in South Africa, which is the context of this research. In 2023, the total vehicle market was 532 098, which is an increase from 529 556 in 2022 (Mabasa, 2024). The industry almost recovered from the 2019 pre-Covid levels of 536 612 units (Mabasa, 2024). On average, over 80% of vehicle sales are made through the dealer channel (Mabasa, 2024) that is historically dominated by few players (Moshikaro-Amani, 2023). Dominance by a few players denotes exclusion, which, in this instance, is

the exclusion of mostly black entrepreneurs in this sizeable retail sector. This problem was to be addressed by the automotive industry, as part of the manufacturing sector through the mandate of the Broad Based Black Economic Empowerment (BBBEE) and the South African Automotive Industry's Masterplan (SAAM) which sought to drive for inclusivity and diversity through initiatives such as supply chain diversity programmes which allowed players to apply discretionary partner selection.

1.2 Research problem

This research sought to investigate why there has been little progress made in diversity and transformation of black ownership (100% black owned or black majority shareholding) in the automotive vehicle sales sector and OEM. Despite the existence of the BBBE Act and the commitment of the OEMs to invest in the Automotive Industry Transformation Fund (AITF) supply chain diversity programmes which have not increased the number black dealership owners. The AITF was intended to accelerate the development of black entrepreneurs, including black dealership owners (Mashilo & Moothilal, 2022). The National Automotive Dealer Association (NADA) estimates that there are approximately 15 black owned franchised car dealers out of a total of over thousand five hundred and fifty in South Africa. This is a reflection that the automotive landscape has not evolved since the dawn of democracy as it is still dominated by multinational companies. It is also a major sector that even participates in the global value chain in the importation and export of locally assembled vehicles (the dtic, 2018). The Department of Trade, Industry, and Competition(dtic) recognised the importance of the automotive industry in the country's economy and introduced industry specific BBBEE codes of good practice to improve the participation of black entrepreneurs. The South African Automotive Masterplan 2035 (SAAM 2035) which sets clear objectives for the industry to achieve amongst others, also introduced diversity and inclusion goals in enterprise ownership by 2035 (the dtic, 2018). The problem selected for this paper addressed pillar number five of the SAMA2035 goals which is industrial transformation. The transformational pillar contributes to the attainment of Sustainable Development Goal 10.4.1, which

advocates for countries to enact economic, income and societal strategies to increasingly accomplish better parity for its people measured through labour share of the Gross Domestic Product (United Nations, 2024).

Table 1: SAAM 2030 Objectives

Table 7: Summary of SAAM objectives and estimated impact on South African automotive industry[9]

Objective	Estimated impact on SA auto industry
1. Grow SA vehicle production to 1% of global output	• CBU production to 1.39 million units annually (129% higher than 2015 levels) • Increase of value of vehicle production to R314 billion
2. Increase local content in SA assembled vehicles to up to 60%	• Increase of R135.4 billion on 2015 local content levels • Local content increase of 21.3% per vehicle produced (55% increase) • Increase automotive component aftermarket and export production by at the same pace as local content growth
3. Double employment in the auto value chain	• Employment growth of 112,000 • Aggregate employment from 112,000 to 124,000
4. Improve auto industry competitive levels to that of leading international competitors	• Sustainable automotive industry based on comparative price and non- price competitiveness versus leading international competitiveness • Sustained export competitiveness
5. Transformation of the South African automotive value chain	• 25% Black-owned involvement at Tier 2 and Tier 3 component manufacturer levels, as well as in dealership networks and authorised repair facilities • Amplified skills development of Black South Africans • Enhanced employment equity at senior management, artisan and professional employment levels across automotive value chain
6. Deepen value addition within SA auto value chains	• Growth in R&D and other innovation metrics within the South African automotive value chain

1.3 Business relevance

The automotive OEMs in South Africa operate through traditional franchise dealers, with a country principal franchisee that appoints a network retail dealer on a franchising basis (Jacobsberg & Harrison, 2019). This appointment of dealers is also subject to BBBEE framework which seeks to address the inequalities caused by the apartheid era (Jacobsberg & Harrison, 2019). The downstream supply chain of automotive OEMs in South Africa seems to favour non-black suppliers, presenting OEMs as not diverse and inclusive in the appointment of automotive retail sales dealerships. This is notwithstanding the fact that since the dawn of South Africas democracy, OEMs have been expanding their respective dealer networks, and further, there have been ample investment opportunities as existing new car franchise retail dealerships have been available to sell. The current demography of automotive dealers in South Africa brings into question the selection processes,

the qualification criteria when OEMs appoint franchise dealers, and the barriers to entry which this paper sought to investigate. These questions warrant the need to understand the BBBEE or supplier development programmes in place in the sector which are aimed at ensuring the inclusion of 100% black owners and create healthy rivalry and competition in the sector (Vilakazi & Bosiu, 2021) towards meeting the SAAM 2025 goal of 25% black ownership.

Despite the low levels of black ownership in the franchised automotive retail sector, automotive OEMs in South Africa show good BBBEE levels scores. The BBBEE policy was set to bring about equality amongst races in the South African economy (Vilakazi, 2021). In general, the BBBEE policy in South Africa has not successfully given the majority of black people access to the economy (Mbandlwa, 2020). The system has only benefited a small number of people, mainly the elite, while the majority of black people continue to live in the same economic conditions as during the apartheid era (Mbandlwa,2020). Since the inception of the BBBEE act, the road to transformation in the automotive retail franchises has not been robust enough. Participation of black entrepreneurs in the ownership of new automotive franchise dealers is poor, considering that it is now 30 years after the democracy of South Africa (Venter, 2023). Research shows that historically, black investors have challenges obtaining funding, which is a fundamental requirement for entry and staying in business (Preisendörfer et al., 2012). The lack of qualified and experienced human assets also decreases the chances of black entrepreneurs from entering and succeeding in the motor industry (Ngwaba, 2024). In addition, Singh & Nurse (2024) add that “limited social networks and connections within the automotive industry restrict opportunities for mentorship and partnerships, which are vital for business success”. This paper sought to examine to what extent automotive OEMs in South Africa have implemented the BBBEE act and supplier development programmes in the appointment of black franchise dealers.

In investigating the supplier development programmes in the sector, this research explored the support available to the few 100% black franchise dealers with regards to aspects like capacity building, mentorship programmes and access to finance. A percentage of current black dealers believe that additional support after being

successful in the selection process and being awarded a dealership is critical in ensuring sustainable good performance. Due to the motor industry being predominantly white owned in the past, black dealership owners that manage to overcome the high barriers of entry are often inexperienced in automotive industry and rely on outsourced skills or the recruitment of experienced management teams to run the dealership, a costly solution which often leads to power performance and unsatisfactory OEM key performance indicators.

The paper also investigated if automotive OEMs have supply chain diversity programmes to increase diversity and inclusion of black entrepreneurs in the industry. It explored the extent to which black entrepreneurs have participated in these programmes. For those automotive OEMs that are of the view that they have put the necessary supplier development programme mechanisms in place, the exploratory interview explored the levels of success achieved in increasing the number of black retail dealers.

Based on initial desktop research, the major automotive OEMs, especially those that assemble vehicles locally. have good BBBEE scores; Isuzu South Africa is Level 1, BMW is level 4, Volkswagen South Africa is level 3. This research sought to analyse the application of this legislation in advancing black dealer ownership. At face value, the Act indicates that it is not prescriptive about downstream supply criteria for this sector. Research shows that in general, South African empowerment policies have not been well coordinated and have therefore not been effective in addressing racial transformation and other barriers of entry (Andreoni et al., 2021).

On the other hand, black investors, particularly in the automotive retail sector, still face challenges and are of the view that existing supplier development programmes have not adequately aided in transforming and advancing previously disadvantaged enterprises (Venter, 2023).

1.4 Contribution of the Study

Over the past 20 years, automotive manufacturing has been dominated by multinational companies, leaving no space for South African capital at the level of OEMs (the dtic, 2018). The industry's role in the economy is therefore limited to its contribution to the fiscus, employing the previously disadvantaged (mostly black), developing enterprises, technology, and skills development (the dtic, 2018). Whilst growth in contribution to the fiscus and black employment are organic with the scaling of the assembly operations, enterprise development and skills development gives the industry an opportunity to meaningfully participate in the economic growth of South Africa while building dynamic domestic capabilities (the dtic, 2018). Currently, there is formal measurement of Gross Value Added (GVA) by black enterprises in the industry but what is known is that there are only 14 black entrepreneurs that contribute to the manufacturing of components many of which are small enterprises (the dtic, 2018) and few black owned dealers. Therefore, a major black enterprise development opportunity for the sector lies in the critical value chains of vehicle assemblers, dealer networks and authorised repairing providers, whose discretion to appoint falls within the automotive OEMS South African operations (the dtic, 2018).

Additionally, the automotive sector of South Africa receives substantial amounts of subsidies from the government, and in return, it has the responsibility to expand the industry and create employment while increasing black ownership across the value chain (Moshikaro-Amani, 2023). Should the industry only make modest contribution to black employment, transformation, and inclusion of black ownership in the value chain, the question becomes how sustainable it is for government to keep the subsidies in place (Moshikaro-Amani, 2023).

The automotive sector is looking for strategies to meet these objectives. This paper sought to contribute to how the sector can achieve these national objectives of black enterprise development in the new car franchise dealers and meet SAAM 2035 goals. Transformation of the economy is required for economic growth, and South Africa can achieve this by channeling investment and economic activities from

capital intensive upstream activities to downstream activities which have the probability to grow jobs and throughput (Andreoni et al., 2021).

Compared to black ownership in other areas in the retail sector, the new motor retail sector for new cars remains untransformed (Venter, 2023). Whilst the lack of capital maybe the default answer, other sectors that have the same historical inequality challenges and are capital intensive have made much better progress (Venter, 2023). The paper explores the progress made and the challenges in processes through the lens of the OEMs, industry experts, black and white retail dealers the factors contributing to the lack of diversity and inclusion in the franchised automotive new car retail supply chain in South Africa.

1.5 Academic relevance

Before 1994, the automotive retail sector, like most South African industries, was predominantly white owned, dominated mostly by family businesses which were then sold to major dealer groups. Research shows that in general, there has been "opportunity hoarding by white-dominant enterprises" (Van De Rheede, 2022). Diversity in the supply chain has become a priority in the strategic planning of organisations which aims to increase competitiveness and social and income equality (Cooper, 2024) This research aimed to assist automotive OEMs that wish to study diversity and inclusion through supplier development of the previously disadvantaged black dealership owners. History shows that when OEMs expanded their dealer network or when existing dealers became available for sale, these were offered and bought by the few players that dominate the industry (Moshikaro-Amani, 2023). Limited academic focus has been placed on BBBEE progression in the automotive industry, other that the reaction of the policy by the stakeholders in the sector (Mashilo & Moothilal, 2022).The paper adds to the body of knowledge on the history of the BBBEE act and why its implementation by automotive manufacturers, through supplier development programmes, has not resulted in the inclusion and diversification of retail dealer networks through black ownership. The qualitative research included exploration on selection criteria and shed some light on the experiences of both black and white automotive dealers, the role of BBBEE and how

black entrepreneurs that are 100% owners of new car dealerships have utilised and developed from these programmes. Thus far, the majority of the diversity and inclusion research has focused on the upstream supply side of the motor industry. The paper expands on literature on the nature and the implementation of the downstream OEM programmes, levels of support and entrepreneurship education to existing black and white entrepreneurs from the manufacturers to discover their effectiveness or non-effectiveness in the transformation of the automotive retail industry sector. Interviewing the OEMs, representatives of industry bodies and current black entrepreneurs who are owners of dealerships explored the existence and effectiveness of the programmes in advancing ownership through inclusion and diversity in the automotive new car retail sector.

The paper highlights the initiatives from all stakeholders, the development areas and contributes to the research on steps required to advance the inclusion of black entrepreneurs in the retail automotive sector.

1.6 Purpose statement

The purpose of the research was to answer the question about why, despite regulatory requirements, efforts by the OEMs, industry bodies and the interest by black investors, there are still a few black-owned franchise dealers.

1.7 Chapter Outline

The next chapter is the literature review which explores the research done so far on BBBEE in the automotive industry. The chapter then explores key theories of stakeholder theory, roles models of leadership, and expounded on the key constructs of supplier development, diversity and inclusion and supplier selection. This resulted the research questions to be explored within Chapter 3, followed by the methodology used for the research process in Chapter 4. Chapter 5 details the research results, and Chapter 6 delved into the analysis of results of the research. Chapter 7 then closes off with recommendations based on the outcome of the analysis.

CHAPTER 2 LITERATURE REVIEW

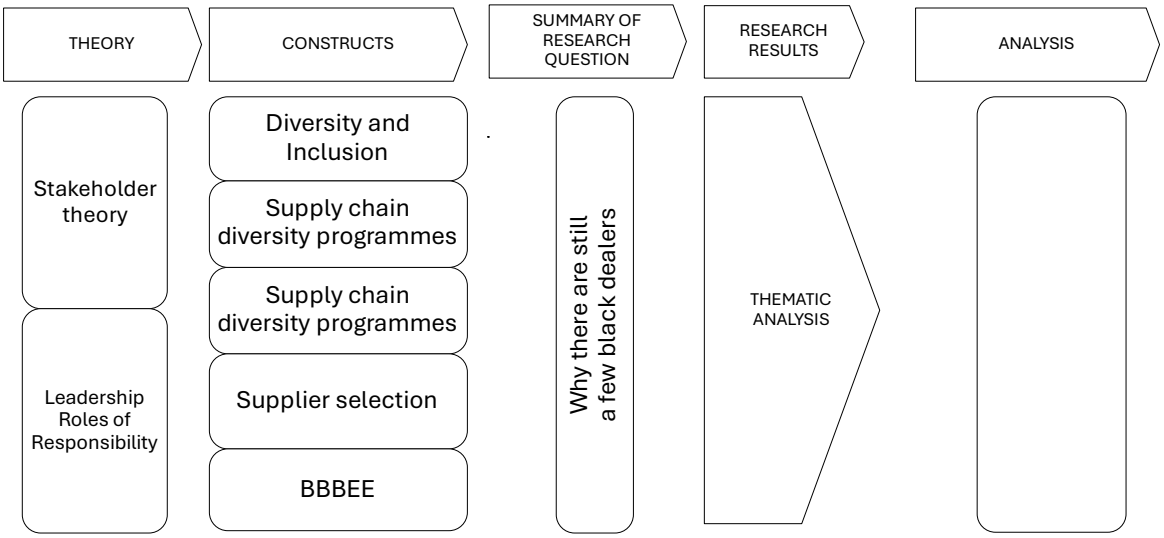
2.1 Introduction

The literature review takes into account the theoretical problem and ended up with the research questions. The study was investigated through the lenses of stake holder theory and the roles of responsible leadership theory. Focusing mostly on the relationship between the OEMs and their stakeholders being their respective dealers. Stakeholder theory is integral in developing supplier development as it places the importance of engaging the suppliers as stakeholders in achieving results. Collaborating with suppliers results in a better consideration of their requirements and potential which is critical for supplier diversity programmes (Hultman & Elg, 2018). Responsible leadership is based on fairness and in framing decisions, which is required for shaping supplier diversity programmes that are impartial and includes diversity (Ellis, 2020).

From a policy framework perspective, the introduction of the BBBEE Act was mainly to ensure the inclusive participation of previously disadvantaged in the economy (bbbeecommission, 2016). The OEMs are measured on the development of suppliers, percentage of black ownership, socioeconomic development, development of enterprises and suppliers of colour and percentage of black people in managerial positions in their organisations (bbbeecommission, 2016). This literature review was based on 2 key constructs which were Diversity and Inclusion and Supply chain development which was explored in the context of OEM Supplier or partner selection, underpinned by the stakeholder theory, roles of responsibility within the automotive retail Industry in South Africa, guided by the BBBEE policy which resulted in key research questions.

Below is the conceptual model of the literature review undertaken in this chapter

Figure 1



Conceptual Model

INTERNAL

2.2 THEORETICAL CONSTRUCTS FOR THE STUDY

2. 2.1 Stakeholder Theory

The requirement for inclusion of black investment highlighted the stakeholder theory as these MNC operate in a global stakeholder society where the leaders are answerable not only for financial results but to all sponsors for their broader environmental and commercial effect on society (Maak & Pless, 2006). One element of stakeholder theory is that it classifies stakeholders into primary and secondary (Voegtlin et al., 2019), meaning the DTI became a primary stakeholder for manufacturing OEMs in South Africa because of the APDP, and how the incentives linked to BBBEE ratings have a direct bearing on the viability of the South African manufacturing businesses of the OEMs (Voegtlin et al., 2019). Eventually an agreement was reached that multinational OEMs would not need to have black ownership but would instead contribute to a transformation fund (Mashilo & Moothilal, 2022). The AITF was intended to accelerate, amongst other elements the growth of

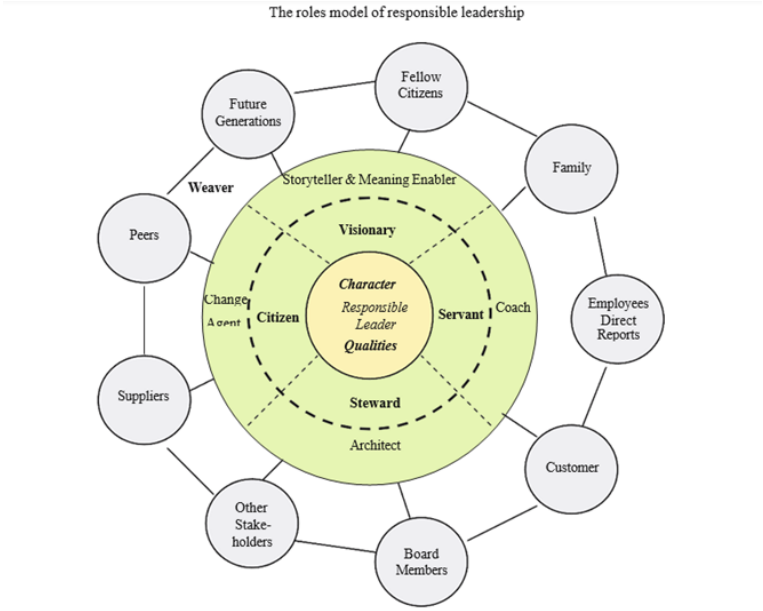
black owned car dealerships (AICE,2020), this meant that the fulfillment became a secondary stakeholder as it was more in line with fulfilling a broader societal concern (Voegtlin et al., 2019), as compliance no longer directly impacted the MNC OEMs bottom-line. The dichotomy in this study lies in the fact that MNC OEMs need to meet BBBEE required levels to receive government incentives to remain viable, but the critical component of the BBBEE mandate to increase black ownership is part of enterprise development and places these black investors as secondary stakeholders. Compliance through supplier development programmes can be driven by the need to meet business stakeholder requests instead of being driven by ESG motives. Business faces numerous conflicting targets like this one faced by the 7 OEMs which may make full adoption of supplier development programmes difficult. (Sordi et al., 2022).

2.2.2 Responsible leadership within Stakeholder theory

Literature shows a link between responsible leadership, corporate sustainability and people, planet and prosperity, these constructs symbolize the size of the commercial, societal and ecological sustainability forming the basis of the association (Voegtlin et al., 2019). This means the context of the roles of OEM leaders includes responsibilities to different stake holders (Maak & Pless, 2006). The start of the BBBEE Code of Good practice was an example of leadership in the automotive industry being viewed as a social and ethical phenomenon, suggesting multidimensional roles were required to consider the expectation of diverse sponsors (Voegtlin et al., 2019). The OEM foreign based profit focused headquarters as well as the DTI which enacted BBBEE were therefore both stakeholders for the 7 key OEMs. Studies on leadership have mostly focused on leadership between leaders and subordinates within the organisation. Further research shows that responsible leadership has become a normative concept that is seen through leaders being accountable to the multiple stakeholders of the organisation. Responsible leadership can make a major contribution in business and society towards achieving sustainable long-term results (Voegtlin et al., 2019) This paper's research adds to studies on leadership as an interaction of multiple subordinates as internal and external

sponsors and the roles model of responsible leadership.

Figure 2



According to (Mark & Pless, 2006), the metaphor of a leader as an architect refers to building an inclusive culture by making sure that processes and systems are in place to support the monitoring the ethical achievement of the companies triple bottom-line, which in the case of the MNC OEMs was the diversity and inclusion of amongst others, black dealership owners in their retail franchise dealers. This paper wishes to add the literature the outcome of the exploration of the processes and systems put in place by the automotive OEMs currently to onboard black investors.

According to Patzer et al, (2018), for leaders to effectively respond to the wider societal needs of secondary stakeholders, they need to develop citizen role of responsibility, which requires them to prioritise sustainable decisions that focuses on the long-term value of society. It was the leadership of the 7-manufacturing automotive OEM that negotiated for the transformation fund, which is in line with the characteristics of the citizen role of responsibility. What this research was looking to contribute was the effectiveness of the implementation of the inclusive culture with regard to the expansion of black ownership in the automotive downstream supply chain by the OEMS.

2.3 POLICY FRAMEWORK

2.3.1 Broad Based Black Economic Empowerment

Little academic attention on BBBEE has been paid to the South African automotive industry. (Mashilo & Moothilal, 2022). This paper contributed towards the closing the empirical and evidence gap on BBBEE in the automotive retail sector industry.

BBBEE viewed from a business perspective can be defined as an elective policy that calculates a business's investment in the transformation criterion outlined by the Code of Good Practice. In return for participation, companies are rewarded with pricing, concessions, licenses and incentives when doing business with government and state-owned enterprises (Mashilo & Moothilal, 2022). The Act was intended to address imbalances within the economy of South Africa, with a particular focus on ownership and management control through the implementation of the broad-based Code of Good conduct of 2007(Mashilo & Moothilal, 2022).

The further revision of the act in 2017 which focused on prioritizing Ownership, Skills Development, and Enterprise and Supplier Development made compliance imperative. The changes made, linking incentives and grants meant the automotive industry had to comply with the minimum standards to continue to receive existing rebates. Starting with the Department of Trade and Industry linking the Automotive Investment Scheme (AIS) to minimum BBBEE compliance, this was followed by an announcement by the minister in 2018 that the Automotive Production Development Programme (APDP) required OEMs to be at a minimum of Level 4, meaning that a level of black ownership was now required for both local and multinational companies (Mashilo & Moothilal, 2022). A survey done on the 7 Automotive OEMs in 2019 showed the following aggregate results:

Table 2: OEMs BBBEE Scorecard, 2020

Table 3: OEMs B-BBEE scorecard

Ownership or Equity Equivalent for Multinational	25	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Management Control	19	12.63	10.60	8.89	11.47	9.41	12.54	8.42
Skills Development	25	18.72	19.74	21.54	20.18	20.56	19.46	17.87
Enterprise & Supplier Development (Incl. Preferential Procurement)	44	34.04	25.04	31.36	20.75	31.98	41.87	30.18
Socio – Economic Development	5	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Total Score	118	**70.39**	**60.48**	**66.79**	**57.40**	**66.95**	**78.87**	**61.48**
Level achieved		**7**	**8**	**8**	**8**	***7**	**6**	**8**
Scorecard expiry date		**Nov 19**	**May 2020**	**May 2020**	**Feb 2020**	**June 2020**	**May 2020**	**May 2020**

Source: NAAMSA, 2020

Although the criterion and points of the BBBEE scorecard are outside the scope of this paper. The results showed that as of 2019, the 7 OEMs had not complied with the ownership component of the scorecard, their priority was instead placed on elements like skills, enterprise and supplier development (Mashilo & Moothilal, 2022). In general introduction of the BBBEE act and the focus on ownership was seen as narrow and would only benefit the elite and the politically connected and would exclude employees and masses of the historically disadvantaged people of South Africa(Mashilo & Moothilal, 2022). To avoid this, an industry specific type of BBEEE was put in place for the automotive industry. There were extensive engagements between the OEMs and the Department of Trade and Industry (DTI) due to the fact that the manufacturing OEMs in South Africa are subsidiaries of Multinational Companies (MNCs) and could not sell ownership stakes in their local businesses, meaning that they could not meet the requirements of the Code of Good Practices of the BBEEE act. In 2019, the introduction of the Automotive Industry Transformation Fund (AITF) showed commitment by the automotive investors led by the 7 OEMs to support the development participation in ownership of dealerships by black investors (Mashilo & Moothilal, 2022). This included the development of black franchise

automotive entrepreneurs.

However, due to South African automotive OEMs being mostly foreign owned, policies like BBBEE are often not a priority as the focus is on profitability (Horn, 2014). Efforts to achieve BBBEE targets is then placed on purchasing from small to medium enterprises (SMEs), however, to qualify as suppliers, international quality, ability to sustainably supply, price and the use to latest technology is required from these black owned enterprises, which they often fail to meet (Horn, 2014).

2.3.2 Automotive Industry Transformation Fund

Over the years. the South African automotive manufacturing industry in South Africa, has seen a change in emphasis from a narrow to a comprehensive BBBEE framework, which aims to increase the economic participation and income equality for the previously disadvantaged population within the industry (Mashilo & Moothilal, 2022). One such initiate is the AITF which was set to strategical enhance the sector's competitiveness and aims to promote Black Economic empowerment by giving access to market, funding and capacity development (AITF: Auto Fund, n.d.) Black entrepreneurs that wish to own automotive franchise dealers have access to this fund. Research shows that even in the early days of its establishment stakeholders were concerned by the lack of clarity and consistency of policies around AITF which they believed would impact effectiveness (Bronkhorst et al., 2013). Research shows that the AITF has mostly contributed towards increasing employment by bringing diversity and growth in the downstream levels of the automotive industry supply chain (Mashilo & Moothilal, 2022).

This paper sought to add to the body of knowledge, a view of what the AITF has contributed with regards to black ownership in franchised automotive retail dealer sector.

2.3.3 BBBEE Policy Failure in Increasing the Number of Black-Owned Car Dealers

Whilst BBBEE was intended to redress the economic gaps that were formed by

apartheid, through enabling previously disadvantaged entrepreneurs. Researchers are questioning the policy's successful in increasing the population of black investors in general including black car dealership owners. Firstly, through organisational inabilities, according to Samodien (2014) "The institutional framework supporting BBBEE is often weak, with insufficient coordination and structure required for successful implementation". This research gives an example of this in the fuel sector, were there showed no systematic method to implement BBBEE and this reduced the pace of inclusion and diversity (Samodien, 2014). Similarly, there seems to be no collective and systematic approach to addressing the increase of black dealers amongst the OEMs post the inception of AITF. Research points to the policy being ineffective in addressing the inherent and engrained income inequalities especially in sectors like the automotive industry (Öztürk & Jarbandhan, 2020) Proven by the fact that the 7 OEMs are BBBEE compliant, but there still a very small percentage of black owned dealers, transformation will require the OEMs to take more initiative other than policy adherence if they are serious about diversity in their dealer network. Given the size of the stake towards the GDP of the automotive industry, missed opportunities for inclusion and diversification in this area of the value chain exacerbates income inequality in South Africa.

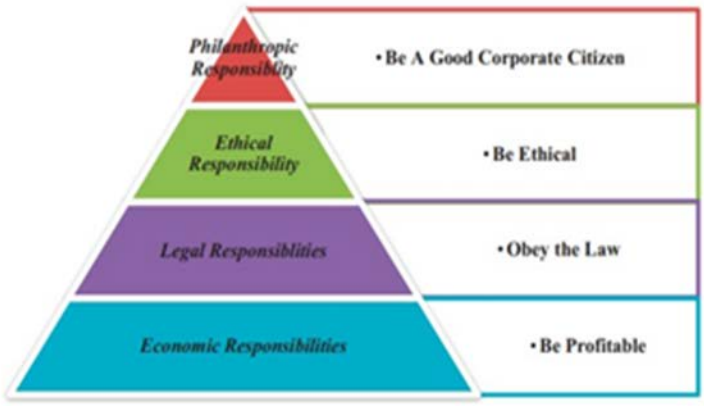
2.4 RELATED DEFINITIONS

2.4.1 Corporate Social Responsibility in supply chain management

Akbari & McClelland (2020) imply that policies such as the implementation of BBBEE are often viewed from corporate social responsibility perspective as philanthropic responsibility.

Figure 3

Carroll's four pillars of CSR



Source(s): Adapted from Carroll (1991; 2016)

When the BBBEE Code of Good practice in the automotive industry was introduced, the leaders of the multinational OEMs warned the DTI that the automotive manufacturing would cease in this country if the incentives of the APDP continued to be linked to stringent BBBEE ratings and black ownership (Mashilo & Moothilal, 2022). Based on Carroll's four pillars of corporate social responsibility, this placed being profitable at the bottom of the pillar. Increased research focus and dialogue are required between supply chain management and business ethics to support supply chain research on corporate social responsibility (Akbari & McClelland, 2020). The issue of increasing black ownership and the discourse of BBBEE in the automotive retail sector is classified under diversity and inclusion in supply chain, this can be viewed from the perspective of both corporate social investment and business ethics. The incorporation of diversity and inclusion is viewed as ethical responsibility which is meant to improve the OEMs ethical virtue and motivate the organisation's behavior towards achieving the outcomes (Porcena et al., 2020). Contrary research however highlighted how Corporate Social Responsibility and Corporate Citizenship can be used by organisations to publish ambitious goals and then fail to implement them

consistently leading to reputations of hypocrisy (Blaha et al., 2021). The AITF was set up as an equity equivalent fund and contributed to the 7 OEMs brand strengths from a corporate social responsibility, the lack of diversity and inclusion in their dealer networks and may give an impression of hypocrisy. This research sought to study the strategies the OEMs have regarding supply diversity for black dealers.

Research shows that Corporate Social Responsibility (CSR) and Corporate Citizenship (CC) are central in the organisation's supply chain management. The focus being on the organisation's responsibility in ethics, social and environmental matters while they conduct business in supply chain to future proof business and increase performance (Akbari & McClelland, 2020).

There has been significant growth in the research and publications on CSR and CC topics showing their importance in supply chain management and logistics. The research is however concentrated in specific industries and regions, highlighting that there are gaps that need further exploration (Akbari & McClelland, 2020). This paper contributed to this topic by shedding some light on corporate and social responsibility through the lenses of diversity and inclusion and black entrepreneur supplier development in the downstream supply chain management of the automotive retail sector.

2.4.2 Diversity and Inclusion

The purpose of the study on diversity focuses on the attributes on the organization's culture and environment to ensure that the organisation has the capability to accept and reward those of a diverse background (Senay Caylan & Kagan Cenk Mızrak, 2024) Inclusion's focus is on building an environment conducive to diversity (Senay Caylan & Kagan Cenk Mızrak, 2024). A diverse supplier is therefore an enterprise that is owned by previously disadvantaged or underrepresented individual who has a share of at least 51% (Bateman et al., 2020). This study aimed at understanding this aspect of diversity and inclusion in the automotive retail industry of South Africa. The research explored what manufacturing automotive OEMs capabilities have in place internally towards black owner dealership development. Early history of supplier diversity internationally in the automotive sector dates back to the 1950s and 1960s during the civil rights movement, when General Motors set up supplier development programmes and the

American automotive sector followed them (Bateman et al., 2020).

Research also highlights that it is necessary to include the diversity of suppliers in a company's business goals as it gives the company an opportunity to gain a competitive edge over its rivals (Senay Caylan & Kagan Cenk Mızrak, 2024).In the framework of the auto industry of South Africa, the majority of vehicle customers are predominately black, appointing black dealerships gives the OEMs the opportunity to have their customers that are served by service providers who understand the customer's needs better.

Failure to support previously disadvantaged investors also adversely affects entire economies, In the United States of America, $290 billion would be added to the fiscus closing the revenue gap between minority owned and enterprises of their white counterparts would add (Hamilton, 2021).

Research shows that purpose organisations are increasing commitment and equity pledges to diversify their supply chain in the area of race which has thus far had limited success, suggesting that organisations need to understand the intricacies that are limiting growth and then take focused action (Kinney et al., 2024). Which is what this research sought to do by contributing to the body of knowledge an insight of the complexities around diversity and inclusion in the automotive retail sector.

2.4.3 Supply chain diversity programmes

Programmes to improve diversity in supply chain are initiative that companies use to meet the Environmental, Social and Governance obligations and strategies (Van Hoek et al., 2024) Academic research on Supply chain diversity programmes particularly in the automotive industry has been done focusing mainly on the upstream supply chain of the automotive sector, including diversity and inclusion research (Mashilo & Moothilal, 2022b) this paper seeks to add to this body of knowledge by focusing on the downstream supplier diversity development within the franchised automotive retail sector with a particular focus on 100% black suppliers, which are owners of franchise dealers(dealerships, outlets) that have retail and aftermarket franchise agreements with automotive OEMs in South Africa. Diversity in supplier engagement promotes inclusion and diversity in supply chain strategies which in turn

drives progress in the economy and social growth (Harshila Gujar, 2024). Other researchers have criticised the effectiveness in the supply chain diversity due to many organisations not having the resources to systematically implement programmes, leading to ad hoc projects as well has the inability to measure their qualitative impact (Cooper, 2024), Research shows that the history of South Africa's automotive sector supply chain was at some point diverse and inclusive. In the 1980's local content requirements including the sanctions formed a superficial automotive locally owned supplier industry, resulting in an established domestic value chains facilitated by government policies which forced automotive OEMS on local content, giving the automotive industry at the time political economy leverage (Barnes, 2000). This success was achieved by a carrot and stick approach, the carrot was the domestic protection against global competition and the stick was the local supplier requirements or pay hefty import taxes (Barnes, 2000).The creation of the AITF solidified the trajectory for BBBEE in the automotive sector by excluded the sale of equity shares in the MNC automotive OEMs and introduced a sector wide ownership model versus OEMs having individual equity equivalent investment programmes(Mashilo & Moothilal, 2022). The question is this seek to explore is if BBBEE has been effective in increasing the number of black retail dealers? And, What Supply chain diversity programmes do OEMs have in order have in place to be inclusive and diversify the sector?

2.4.4 Supplier selection

Critical to achieving supplier diversity is the selection process. Research illustrates that irrespective of barriers to entry in business being high in general, they are even higher for black entrepreneurs (Andreoni et al., 2021). This demonstrates the absence of adaptability in the economy and the kind of intensity of economic power held by white firms (Andreoni et al., 2021).Research further expounds that racial segregation can negatively impact supplier choices, emphasizing the need for equal opportunity laws and supplier development programs to alleviate prejudices and improve the achievement of social responsibility strategies for organisations (Aral & Van Wassenhove, 2024) BBBEE polices were aimed at providing opportunities for

black entrepreneurs, but research show that these BBBEE investors in the automotive industry are facing substantial challenges which include: inadequate access to finance which restricts them from being competitive, their historical disadvantages which result in insufficient opportunities, a deficiency in management and industry skills as well as challenges of keeping up with the require quality and capacity(Horn, 2014).This study seeks to add to this literature by ascertaining if this phenomena is also prevalent in the retail value chain of the motor industry, positioned as some of the questions in the semi structured interviews.

2.4.5 Supplier development

Supplier development is defined as any initiative the organisation implements to elevate the standards of deliverables of its dealers (Krause et al., 2006). An effective supply chain programme constitutes shared knowhow and tangible assets commitment. Ways of measuring its effectiveness include for the supplier, targets with performance management, and training with evaluation (Krause et al., 2006). The absence of such skills training and support, means the automotive industry supply chain will remain monopolized by traditional suppliers hindering diversity and inclusion (Horn, 2014) An example is the support offered by the Automotive Industry Development Centre (AIDC) to previously disadvantaged suppliers to be upskilled to become A class suppliers. The research sought to explore if the automotive OEMs have expanded this to the retail sector.

To address supplier development challenges, strategies and development programmes are required. Creative financing models that include mixed funding mechanisms are being explored to increase access to funding for black entrepreneurs which are a remedy to established lending practices (Baloyi & Khanyile, 2022). An example of this is the Black Business Supplier Development Programme (BBSDP) which funds black entrepreneurs for tooling and machinery requirements (Aluko & Kibuuka, 2016). The equivalent in the automotive industry would be the AITF. This research sought to add to literature a view on this regarding its effectiveness in the automotive retail sector.

Initiatives in Corporate Enterprise and Supplier Development (ESD) supporting SMEs including black automotive dealers, that offer the transfer of skills and new business growth ideas are important for sustainability (Kenosi & Lingen, 2021). The research intended to explore the evidence gap of this phenomenon in the automotive retail sector.

2.6 Conclusion

This literature review looked at the role of automotive manufacturers in the supply chain development of Black-Owned motor dealers in South Africa through the lenses of BBBEE and the AITF as the mechanisms that were initiated to increase black ownership in the automotive retail industry. This was meant to be driven by the OEM's Corporate Social Responsibility in supply chain management, which would drive the diversity and inclusion of black investors through supporting supplier selection and supplier programmes anchored in stakeholder theory and the roles of responsibility theory. The logical conclusion of the literature review is to understand why these have not achieved the desired results, which is what the research questions in the next chapter sought to address.

CHAPTER 3 RESEARCH QUESTIONS

3.1 Introduction

The context given in Chapter 1 and the understanding of literature evaluation in light of the research problem converge on the need to research to explore the reasons why, despite the commitment from the 7 South African based automotive OEMs that contribute to the AITF, assisted by the OEM there still very few back owned franchise car dealerships. The study focuses mostly on the 7 key local manufacturers of motor vehicles in South Africa and their respective dealer network. 3 of the OEMs interviewed are part of this 7 but their identity has been kept anonymous and confidential to comply with ethical requirements of the Gordon's Institute of Business Science (GIBS).

3.2 Research Question for the Qualitative Research

The research questions are based on the explorations of the literature review to explore the reason why, despite the BBBEE regulatory requirements, efforts by the OEMs, industry bodies and the interest by black investors, there are still few black owned franchise automotive dealers.

Table 3: Research Questions

Construct	Supporting Literature	Supporting extract from Literature Review	Reseach Question
Diversity and Inclusion	Bateman et al., 2020 Senay Caylan & Kagan Cenk Mızrak, 2024 Kinney et al., 2024 Hamilton, 2021	Research shows that purpose organisations are increasing commitment and equity pledges to diversify their supply chain in the area of race which has thus far had limited success, suggesting that organisations need to understand the intricacies that are limiting growth and then take focused action (Kinney et al., 2024).	1.What strategies do the automotive OEMs have in place towards creating a dealer network that is inclusive and diverse?
Supplier selection	Andreoni et al., 2021 Aral & Van Wassenhove, 2024 Horn, 2014	Critical to achieving supplier diversity is the selection process. Research illustrates that irrespective of barriers to entry in business being high in general, they are even higher for black entrepreneurs (Andreoni et al., 2021).	2.Do the OEM dealer supplier selection processes support diversity and inclusion?
Supply chain diversity programmes	Krause et al., 2006 Van Hoek et al., 2024 Mashilo & Moothilal, 2022b Harshila Gujar, 2024 Barnes, 2000	Supplier development is defined as any initiative the organisation implements to elevate the standards of deliverables of its dealers (Krause et al., 2006). An effective supply chain programme constitutes shared knowhow and tangible assets commitment. Ways of measuring its effectiveness include for the supplier, targets with performance management, and training with evaluation (Krause et al., 2006).	3.Do the OEM dealer supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?
Broad Based Black Economic Empowerment	Mashilo & Moothilal, 2022 Akbari & McClelland, 2020	Over the years. there has been a shift in focus in the automotive manufacturing industry in South Africa, from a narrow to a comprehensive BBBEE framework, which aims to increase the economic participation and income equality for the previously disadvantaged population within the industry (Mashilo & Moothilal, 2022). One such initiate is the AITF which was set to strategical enhance the sector's competitiveness and aims to promote Black Economic empowerment by giving access to market, funding and capacity development (AITF: Auto Fund, n.d.)	4. Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?

Black entrepreneurs have also experienced fundamental obstacles like inadequate financing and qualifying for franchising openings, the policies in the industry do not sufficiently assist with these concerns resulting in stunted growth in inclusion and diversity (Goga & Avenyo, 2022) The absence of adequate development programs targeting improving the knowledge and capacity of potential and existing black dealers exacerbates their omission from the automotive industry's supply chain (Horn, 2014).

3.3 Key stakeholders

Table 4: Key stakeholders

Key stakeholders in the research are as follows:

Stakeholder	Role	Interest	Position

Automotive OEMs	Manufacturers of cars that retailed through a franchise model Major contributors to AITF increases their income, reducing poverty.	Responsible for the selection process in appointing dealers Contributors to IATF	Have demonstrated a willingness to transform the retail channel to the IDTC Have got supplier development programmes in place
Black Investors	Some have been successful in obtaining franchises from the OEMs but experience struggle to be successful and some are unsuccessful Others have applied numerous times and have been unsuccessful	Contribution towards diversity and inclusion in the industry Participation in the industry reduces income inequality	Black investors show a willingness to participate in the automotive retail sector Some have automotive experience from having worked in the industry before becoming entrepreneurs Lack of access to capital
Whites Investors	Independently owned motor dealers that entered the automotive industries mostly through family business	Must comply to BBBEE in their businesses	Some view BBBEE as a regulatory requirement Used in the research to compare onboarding process and support from OEM
Industry Experts	NADA IATF Banks	These organisations are working towards achieving SAAM2035 goals which include the Transformation pillar	Provide support to black investors wanting to enter the automotive industry including funding

3.4 Present versus Desired Situation Analysis

The research involved semi structured interview to shed some light on the following key aspects from the literature review.

Table 5: Present versus Desired Situation Analysis

	Present state	Desired state
Diversity and Inclusion	Currently very few black dealers in automotive retail sector. NADA quotes that there about 15 out of 1550	SAAM goals aim to increase the amount of black ownership to 25% Commitment from the OEMs on supplier diversity programmes
Supplier Selection	Processes not supportive of inclusion and diversity – conditions are the same	There should be more support for black entrepreneurs with the onboarding process
Supplier development programmes	Unfavourable lending condition for capital, skills gap, lack of support	Access to capital, skills development and ongoing support required to ensure sustainable success and growth of black automotive dealers
BBBEE	Policy framework to assist to make South African business more inclusive and diverse including the automotive sector	Provide guidelines and enforcement of the inclusion of the previously disadvantaged population in the automotive industry, not just as employees but as entrepreneurs

3.5 Conclusion

The research question flowed from the literature review and helped in deciding on the exploratory research design and assisted in formulating the necessary semi structured interview questions. Chapter 4 will outline the research methodology that was implemented in the study.

CHAPTER 4 RESEARCH METHODOLOGY

4.1 Introduction

The chapter looked into the details of the reasons for the chosen methodology, which covered the purpose of the research design, the philosophy, approach, methodology, strategy and the time horizon of the research. Then explained the research methodology by explaining the population, unit of analysis, sampling method, size, measurement instrument, data gathering process, the analysis approach and the quality controls. It is closed off by addressing the shortcomings of the methods.

4.2 CHOICE OF METHODOLOGY

4.2.1 Purpose of research design (exploratory)

The investigation of the lack of diversity and inclusion of ownership of franchise dealerships required discovering new insights from all the key stakeholders to gain new perspectives, which required exploration of the individual stories without predetermined hypotheses. Exploratory research tries to basically probe using investigative questions without aiming to offer standard solutions to existing topics. This type of study is generally undertaken to examine a matter that has not yet evidently been identified. Exploratory research is performed to understand the problem's disposition, not to give concluding facts, but to gain a beneficial intelligence on the matter (Dudovskiy, 2023). Exploratory research was apt for this paper as, at face value, there are policies in place, a transformation fund in place to support inclusion of black dealers in the automotive retail sector as owners of dealerships, but the industry is yet to make a marked improvement in this area. The answers given during the interviews by the respondents were not timed or restricted in length and allowed the respondents to expound on aspect that they felt would contribute to the topic, which brought in varied perspectives particularly around the questions on diversity and inclusion and support from OEMs.

4.2.2 Philosophical assumption

It was critical to the research to view the lived experiences of the black and white

entrepreneurs in the automotive industry as subjective and socially constructed. In order to get further depth, researchers might examine experiences and viewpoints within a particular social environment using the interpretivist paradigm. (Alharahsheh et all.,2020) As such, it was important to really understand the meaning, perceptions and the narrative of all the respondents. Interpretivism acknowledges the importance of individual perspectives highlighting that reality is viewed differently by each one (Potrac et al., 2024). This research interviewed 4 groups of stakeholders, the OEMs, industry expert, white dealership owners and black dealership owners to uncover perceptions on the BBBEE and thoughts on why the sector is yet to be diverse and inclusive. This made the research achieve data triangulation, by reducing bias and increased credibility by providing a more comprehensive perspective on the research topic.

4.2.3 Approach selected - Inductive

Research shows that vast conclusions are drawn using an approach to reasoning called inductive inferencing, which is based on specific evidence. When using inductive interpreting, a methodical inquiry is conducted initially, and a framework is constructed based on the study's findings. This has been performed on several reviews particularly in the literature on entrepreneurship (Hall et al., 2022). The research process for this paper started off with semi structured interviews with diverse stakeholders, including the entrepreneurs in the automotive retail sector, to collect data which was then taken through detailed coding and thematic analysis. The idea was to unearth unexpected patterns and bring awareness, which contributed to an in-depth insight of the occurrences (Nur et al., 2018).

4.2.4 Methodological choices - Mono

Research has proved that qualitative research in entrepreneurship is necessary to conduct a thorough analysis of a particular occurrence and to find innovative methods for gathering and interpreting empirical data (Hlady-Rispal et al., 2014). Therefore, the mono method of qualitative research was chosen for this paper given that the subjects of the research were entrepreneurs. Academic literature has also shown that when it comes to describing, deciphering, and advancing our knowledge of interwoven diverse data from the past, present, or future, qualitative approaches

are employed (i.e., details, actions, characters' behaviours, choices, or representations). This is due to their ability to capture the diversity and complexity of the context, making them seem suited for the progress of entrepreneurship research into relevant tools and concepts (Hlady-Rispal et al., 2014). Understanding the support required by the black automotive dealers and what the OEM supplier development programs offer, including the suggestions from the industry experts could only be clearly articulated during the qualitative research process. This would not have been achieved through quantitative research, as it is often not recommended for entrepreneurial research due to the multifaceted and nonlinear relationships typical of the study of entrepreneurship (Spyropoulos et al., 2023).

4.2.5 Strategy – Case Study

This research is based on multiple cases within the real-world context of the automotive franchise retail sector in South Africa, and delved into in-depth analysis to understand the diversity, inclusion and supply chain development phenomena in the retail dealer channel. Research states that case studies provide thorough assessment of a specific phenomena giving researchers the ability to study its nuances and intricacies (Gustafsson, 2024). There is flexibility in utilising the case study approach as it has been successfully adopted to research diverse paradigms (Risfandini, 2023). In his paper on case studies, Gustafsson (2024) explores the growing utilization of case study research throughout the diverse academic studies which reinforces its versatility in analysing phenomena from real-life settings. The case study approach was ideal for this paper as it explored diverse aspects which included its setting in entrepreneurship, supply chain management and diversity and inclusion, all incorporated in the real-life settings of the black, white entrepreneurs, OEMs and the industry experts. What makes this approach even more appropriate is the emphasis on contextual understanding, which focuses on the understanding of behaviours and strategies (Gibson & Groom, 2024). An example of successful use is in the research done by Duff (2024) that looked into uncovering the underlying links in complex situations such as educational reforms or political influences, where old style approaches fail.

4.2.6 Time horizon (cross-sectional)

Cross-sectional time horizons are mostly utilized to research the occurrence of experiences and consequences in a particular point in time (Mukherjee & Roy, 2023). An example is the effective use in medical research in evaluating the occurrence of health situations or hazardous concerns in a population group (Voleti, 2024). Cross sectional horizon provides quick turnaround times and deliver insights at a low cost into relationships, suggesting assumptions for further research (Mukherjee & Roy, 2023). This research needed to take place in a snapshot before any changes in regulations, corporate strategies and economic shifts. Automotive OEMs are currently revisiting their corporate strategies around their optimal dealer footprint due to the increase of Chinese vehicle brands in the South African retail market, and this may change their positions they held around inclusion and diversity. The prime lending rate in South Africa has also started to reduce and this would affect the lending conditions of the banks. If assessed under the longitudinal horizon the changes in these two aspects would have influenced the outcome of the research to an extent.

4.3. RESEARCH METHODOLOGY – Data Collection Process

The table below summaries the data collection process undertaken in this research which was discussed in detail.

Table 6: Data Collection Process

Techniques and procedures	**Qualitative**	**Qualitative**	**Qualitative**
Type of data	Primary data	Primary data	Primary data
Population	Retail automotive dealers, listed companies and non-listed companies	Industry experts in upstream and downstream supply chain experience in the automotive sector	All OEMs including local manufacturers and importers
Target population	Existing Black retail dealers Applicant black dealer Resigned black dealer White independently owned dealers	Industry Experts of institutions that have experience in automotive retail sector	Representatives from the 7 multinational OEMs that contribute to the IATF
Unit of analysis	Individuals – Entrepreneurs in the automotive industry	Subject matter experts in automotive retail industry	Individuals in OEM Management
Data collection instruments	Semi-structured Interviews	Semi-structured interviews	Semi-structured interviews
Date storage	Online storage for 10 years	Online storage for 10 years	Online storage for 10 years
Sampling	Purposive sampling	Purposive sampling	Purposive sampling
Sample size	7	3	3
Analysis	Thematic (themes)	Thematic (themes)	Thematic (themes)

4.3.1 Primary data collection

Case study research is a rigorous approach that applies various resources of data to prove legitimacy and depth. Guideline say there six sources of evidence which give a thorough structure for gathering data and guaranteeing comprehensive analysis. These include the researcher's documents, archived records, artifacts, interviews, observations of the phenomena and observations of the participants (Amerson, 2011).

This research utilized the primary data collection method. Typically, the data gathering approach entails employing methods like focus groups, observation of participants, and deep conversations to gather a lot of data on a relatively small, purposeful sample (Hox & Boeije, 2005). Initial contact was made with all the parties to discuss the topic and get commitment for participation. After ethical clearance was granted, the participants were contacted telephonically and send the applicable interview questions for preparation, together with the consent form via email. Primary data refers to data collected using methods that best suit the specific study's needs (Hox et al., 2005). Primary data collection was best suited for this research due to the sensitive nature of the topic in the industry and the need to protect the parties' proprietary information. Although only primary research was utilised for the research, triangulation was achieved by collecting data from four different stakeholders in the industry on the same phenomena. Semi structured interviews were conducted with 4 automotive black entrepreneurs, 3 white dealership owners were interviewed to establish if there were any differences in the support offered by OEMs as well as get their views on BBBEE. The views of the OEMs were established through interviewing 3 of the 7 multinational OEMs that operate in South Africa. Critical to the objectivity of the research were the views of 3 industry experts from bodies that are mandated to drive amongst other objectives the transformation agenda, these included the IATF, NADA and one of the big five vehicle and asset finance banks that facilitates credit facilities for all dealers to wholesale vehicles from the OEMs. The below is a detail of the participants that were included in the primary data collection process.

The data collected for this research served multiple purposes, such as: (1) depicting past and present characteristics; (2) carrying out comparative studies or duplicating the initial research; (3) examining the data again to raise new inquiries that were previously unanswered; (4) enhancing research tactics and techniques; and (5) educating and absorbing knowledge. (Hox et al., 2005). The primary data collected gave an insight to individual experiences of the stakeholders in the phenomena, because research states that each time original data is collected, they add new insights to the existing body of societal knowledge. (Hox et al., 2005).

4.3.2 Population – Target Population

In research population denotes a group with the same characteristics, and target population is the precise subgroup encompassing specific features that are suitable for the study, this element is critical for the research intent and investigation (Willie, 2023). The breakdown of the population and the target population were:

Table 7: Target Population

Population	Retail automotive dealers, listed companies and non-listed companies	Industry experts in upstream and downstream supply chain experience in the automotive sector	All OEMs including local manufacturers and importers
Target population	Existing Black retail dealers Applicant black dealer Resigned black dealer White independently owned dealers	Industry Experts of institutions that have experience in automotive retail sector	Representatives from the 7 multinational OEMs that contribute to the IATF

For research purposes, people, or groups of people, things, or organizations are frequently investigated. Researchers aim to obtain a comprehensive understanding of conditions and significance for individuals involved (Hox & Boeije, 2005). A total of 4 black entrepreneurs were interviewed. To get insight into the study 2 existing black dealership owners were selected, one that was a recipient of a loan from the AITF and was part of an OEM development programme. The other was not a

recipient of neither an AITF loan nor had been part of an OEM supplier development programme. The third, was a prospective investor with extensive experience working in the retail automotive sector, who had applied for a franchise opportunity from an OEM and had been declined despite having secured the funding from the bank to set up was interviewed. The fourth black entrepreneur had successfully secured an ownership stake as a BBBEE partner in a white owned dealer group but resigned due to unfavourable conditions of the transaction was also interviewed. The varied experiences of these entrepreneurs helped give proper perspective on the financing and supply chain development in supplier diversity component of the research. The target population for the white dealers was selected for data triangulation, it was therefore important to approach individuals who were not part of major corporations. 3 white dealership owners were interviewed. One, with many years' experience in the motor industry had received financial assistance from family to buy a dealership. The second was an entrepreneur who had also worked in the automotive industry and was offered an ownership stake in an existing family-owned dealership and had paid for the shares over a period of time. The third, had worked in the family-owned dealership for many years and had inherited the ownership stake from his father.

The target population for industry experts comprised of strategic level representatives from the IATF, NADA and one of the banks with the biggest market share in dealer funding solutions to give an objective view of the topic. These individuals all have extensive experience with 7 local OEMs and have their organisations have objectives to bring diversity and inclusion in the ownership of dealerships in the retail automotive sector. 3 out the 7 OEMs that are foreign owned and cannot have a black ownership stake locally and therefore contribute to the IATF were the target population form the OEMS. The individuals interviewed are part of the teams that help drive the agenda for diversity and inclusion in their respective automotive retail sales dealer channel.

The size of the research challenge must also be considered when estimating the number of participants required to provide high-calibre themes (Mweshi & Sakyi, 2020). Only a small quantity of data is needed for topics like this research design that are limited in scope, which aim for relatively low levels of inspection, and have low levels of inference (Mweshi & Sakyi, 2020). The size of the target population initially meant to be at least 5 of each of the stakeholders but had to be capped at

these numbers due to data saturation during the interviewing process. The research interviewed thirteen respondents in total, according to research, saturation usually is reached after 10 to 12 interviews depending on the research topic (Lu et al., 2024).

4.3.3 Unit of analysis – The entrepreneurs and the OEM representatives

The primary units of analysis for this paper were the automotive OEMs, the analysis focused on understanding their policies, decisions and behaviours regarding the appointment of black dealership owners. Primary data collected from all the four stakeholders uncovered what the OEMs actions are and lack of action in extending diversity and inclusion in the South African dealer network. Secondary units of analysis were the experiences and perspectives of the motor dealers as well as the views of the experts that helped to give context and objectivity to the OEMs behaviour. Research shows similar case study research were the OEMS, motor dealers and industry experts were unit of analysis (Hu & Basiglio, 2023) The analysis encompassed analysing the interactions between the OEMs and the dealers to understand the dynamics of their relationship (Bhalchandra & Shinde, 2024), in the context of diversity, inclusion and supplier development.

4.3.4 Sampling method and size – Purposive

Purposive sampling is commonly utilized in qualitative research studies due to the specific nature of the sampling method. Purposive sampling, also known as judgment sampling, involves intentionally selecting participants based on their specific characteristics and qualities (Mweshi & Sakyi, 2020). The individual could potentially be selected for reasons like wanting to explore a specific narrative, having a similar encounter with an event, cultural connection, or being able to aid in forming a hypothesis. Each individual selected has a specific characteristic that captures the investigator's attention, which is the unifying factor (Mweshi & Sakyi, 2020

The black entrepreneurs chosen were selected because they had multiple franchises and had been in the automotive industry as franchise dealers for longer than 10 years. The majority of these being over 50 years and older and had experienced being in business during and post-apartheid in South Africa. Another selection criteria were that these owners needed to be operationally involved in the running of

the dealership and not just passive investors. 2 of the black entrepreneurs interviewed were black professionals with extensive experience in senior positions working in the automotive industry and had made applications with one of 7 OEMs to be appointed as dealers, one was successful and had acquired an ownership stake in a white owned dealership and one had secured the funding to start a dealership but his application for a franchise was unsuccessful. Their view was particularly important in the research of the barriers or ease of entry into the automotive retail industry by black entrepreneurs. One of the other black entrepreneurs was the successful beneficiary of an OEM supplier diversity program, is still in the industry and helped share views on what ongoing support black dealers still require from OEM to remain viable.

The white entrepreneurs selected were all part of family run businesses and were not part of big corporations and required to also be involved in the day-to-day operations of their businesses. The average age above 50 years old, with business experience during and post-apartheid. Their experience with the OEM and their views on BBBEE helped in confirming if OEMs applied the same criteria of selection and support when appointing black and white dealers. The 3 representatives from automotive OEMs interviewed were part of the strategic management team of 7 OEM that manufacture in South Africa and contribute to the IATF. The selection was based on referrals from the industry colleagues of the researcher. Of the 3 industry experts interviewed, one was from the big five vehicle and assets finance banks was selected as they had experience with facilitating credit for dealers that had been approved as franchisees for the major OEMs in South Africa. Such banks have a role to play in the ease of barriers of entry in this paper. The researcher sent an email to AITF and was afforded the opportunity to interview the relevant subject matter expert. Most participants were selected from the network of the researcher, given their 29 years of experience in the automotive retail sector. No soliciting for interviews via platforms like LinkedIn was done, but referrals were voluntarily given after explaining the topic of the study with business associates.

4.3.5 Measurement Instrument: Interview guide

Interview guides are utilized in the work of contemporary human geographers, since we discover that they are the most popular technique in this discipline (Hitchings & Latham, 2019). 3 sets of interview guides were prepared for this research. One for the 7 black and white entrepreneurs, one for the 3 automotive OEMs representatives and another for the 3 automotive body representatives. The interview guides were used to give this research reliability as they managed to collect deep and meaningful data that the quantitative research would have overlooked (Hamblin, 2024). Considering the use of thematic analysis, the interview guides were structured to generate views on the same topics across the stakeholders to gather views intended by the study. Which were guided by the literature to explore the research question by investigating OEM processes for supplier selection for dealers, the type of supply chain diversity programmes that are offered, and their future plans around inclusion and diversity. Therefore, the structure of the interview guide was based on the research question and was guided by the key contracts and the supporting literature.

OEM Interview guide

Table 8: OEM Interview guide

Interview Theme	Supporting Literature	Research Question	Interview Questions
Diversity and Inclusion	Bateman et al., 2020 Senay Caylan & Kagan Cenk Mızrak, 2024 Kinney et al., 2024	1.Why: The automotive retail sector is not inclusive and diverse	6.How many franchise black dealerships does your brand have in South Africa? 7.How long have you had them for and what is their performance?
Supplier selection	Andreoni et al., 2021 Aral & Van Wassenhove, 2024 Horn, 2014	2.Do the OEM dealer supplier selection processes support diversity and inclusion?	3.What is your selection criteria for dealership applications? Is it the same for all applicants? 4.How many applications from black applicants do receive or have received in past and what is the success rate? 5.What were some of the reasons they were successful and unsuccessful?
Supply chain diversity programmes	Mashilo & Moothilal, 2022b Harshila Gujar, 2024 Barnes, 2000	3.Do the OEM supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?	8.Do you have any supply chain development programmes particularly targeting black dealership owners? 10.What are the plans around the demography of investors in your franchise? 11.What do you believe your organisation can contribute towards achieving SAAM2035 goals?
Broad Based Black Economic Empowerment	Mashilo & Moothilal, 2022 Akbari & McClelland, 2020	4. Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?	1.How has your organisation implemented B-BBEE and what level have you achieved? 2.What is your current score on enterprise development and hoe did you achieve it?

Black and White dealer Interview guide

Table 9: Black and White dealer Interview guide

Interview Theme	Supporting Literature	Research Question	Interview Questions
Diversity and Inclusion	Bateman et al., 2020 Senay Caylan & Kagan Cenk Mızrak, 2024 Kinney et al., 2024	1.Why: The automotive retail sector is not inclusive and diverse	1.Were you in the motor industry before buying your dealership? 2.If not, what resources did you have to start and run the dealership? 3.How long have you had your dealership for and how many have you opened since your first franchise dealership?
Supplier selection	Andreoni et al., 2021 Aral & Van Wassenhove, 2024 Horn, 2014	2.Do the OEM dealer supplier selection processes support diversity and inclusion?	4.What was the application process like for each of the franchises? 5.What were the terms/conditions of the approval? 9.What should OEM continue to do well and what should they improve on with regards to the application process and the support you get? 10.Has the OEM asked you for feedback regarding what they can do better?
Supply chain diversity programmes	Mashilo & Moothilal, 2022b Harshila Gujar, 2024 Barnes, 2000	3.Do the OEM supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?	6.What assistance have you received from the OEM as dealership owner? 7.Would you say that you are successful, if not, what support do you need, from whom? 8.What makes you successful/fail? 14.Do you have a succession plan/Exit plan?
Broad Based Black Economic Empowerment	Mashilo & Moothilal, 2022 Akbari & McClelland, 2020	4. Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?	11.Do you think there are enough black owned franchise dealerships and what can be done to improve it? 12.In your view, has BBBEE worked in the automotive retail sector, if so in what way? 13.Why do think BBBEE investors succeed/fail in automotive retail sector?

Industry experts Interview guide

Table 10: Industry experts Interview guide

Interview Theme	Supporting Literature	Research Question	Interview Questions
Diversity and Inclusion	Bateman et al., 2020 Senay Caylan & Kagan Cenk Mızrak, 2024 Kinney et al., 2024	1.Why: The automotive retail sector is not inclusive and diverse	4.Are the policies that are in place adequate to transform the industry? 8.What in your view needs to happen to increase the number of black dealers?
Supplier selection	Andreoni et al., 2021 Aral & Van Wassenhove, 2024 Horn, 2014	2.Do the OEM dealer supplier selection processes support diversity and inclusion?	5.Have black franchise dealerships been successful in your view, and what are the reasons?
Supply chain diversity programmes	Mashilo & Moothilal, 2022b Harshila Gujar, 2024 Barnes, 2000	3.Do the OEM supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?	6.Are you aware of dealership development programmes in the industry? 7.What initiatives as a body have you got in place to assist OEMs in increasing black dealerships? 9.What should the supplier development programmes look like?
Broad Based Black Economic Empowerment	Mashilo & Moothilal, 2022 Akbari & McClelland, 2020	4. Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?	1.What does you organisation contribute in the automotive retail sector? 2.What in your view has been the benefit of B-BBEE for black ownership in dealers? 3.Do the OEM's take B-BBEE and the SAAM 2035 goals seriously?

4.3.6 Data gathering process – Semi structured interviews

The first and most popular method is conducting interviews. Open-ended questions that are pre-planned are part of semi-structured interviews; other questions are generated during conversation (Denny & Weckesser, 2001). There were 3 sets of interview guides, one for the OEMs, one for industry experts. These assisted this research in investigating the lived experiences of the dealers and obtain the intricacy of their perceptions. Interviews were especially useful in exploring this delicate matter of inclusion and diversity, creating a sense of honest conversations resulting in genuine responses from all the respondents interviewed (Punzi, 2024). After obtaining ethical clearance and identifying the prospective respondents. The researcher first had telephonic meetings to introduce themselves, discuss the topic and request the individuals' permission to participate. The interview questions and the consent form were emailed to the respondents, giving them a few days to look at the questions and think about the answers. The interviews were undertaken based on the availability of the different stakeholders and were therefore done in no order. Two interviews were conducted face to face and the majority done on video conference. A Microsoft Teams meeting or Google meet appointment was then set up at a time convenient for the respondents and the researcher. The interviews lasted between thirty to sixty minutes and were all recorded. The recordings and the transcriptions of the interviews have been uploaded on the GIBS google drive, which the researcher only will have access. A total of three interviews, one industry expert, one OEM representative and one black investor requested to respond to the questions in writing and submit written responses and email the completed interview questions back to the researcher instead of a verbal interview. These have also been uploaded on Google Drive and will be stored for 10years.

4.3.7 Analysis approach - Inductive analysis – Thematic

This research focused on qualitative research data analysis to understand the non-numeric data collected and got an understanding of the meaning and themes in the primary data collected to arrive at some insights. Braun & Clarke (2006) stated that theme were used in thematic analysis to interpret patterns of meaning within the

data. A positivist approach was adopted by the researcher to and check for reliability and frequency in data collected.

Coding Process

The analysis started off by research transcribing all the voice recorded interviews into scripts. Coding is a preparation of the information collected from audio or visual data into text which can be used for analysis (Khan, 2023). The scripts were then saved under pseudo names and then the researcher checked all script for correctness. The researcher then grouped the interviews per interview group i.e. Black dealers, White dealers, Industry experts and OEMs. This research utilised the inductive coding method, which means creating codes directly from the results and letting the themes to develop spontaneously (Naudé, 2024). Thematic coding was then utilised which entails classifying the data into fragments that reveal a shared theme, which helped organise the non-numerical data collected (Mortelmans, 2024).

Data analysis Process

The responses to the question were first categorised into key themes per group of respondents, that is, the results showed the themes and supportive quotes from the black dealers, white dealers, industry experts and OEMs separately first. An approach for doing qualitative research is thematic analysis, which makes use of structured qualitative data from focus groups to find patterns and produce themes created by the researcher (Lochmiller, 2021). The primary emphasis of the approach is to identify patterns, with these patterns then being interpreted as themes by the researcher (Lochmiller, 2021). As stated, the interview the questions were drawn out of research question and the contracts. The results of both black and white dealers were them be combined, and finally all the stakeholders. The analysis then went into a write up which provided a comparison, contrast and conclusion to develop a comprehensive understanding of the phenomena.

4.3.8 Quality controls

According to (Saunders et al., 2023) qualitative research data should be dependable meaning that is should be reliable over time, credible referring to its internal validity, transferable so it can have external validity as well as being authenticity.

Data Credibility: To ensure credibility, this research incorporated multiple data source triangulation, adhered to the GIBS data procedures, undertook a thorough analysis which altogether ensured the credibility of the paper (Watson & Jackson, 2024). A proper qualification process of the diverse sample of entrepreneurs, OEMs and industry experts was done. Research confirms that gathering varied viewpoints and collecting answers from diverse sources leads to greater robustness of the findings (Mwita, 2022). The semi structured questions did not include any leading questions, and no suggestive prompting was done by the researcher during the interviews. The interviews for this research were recorded, with the interviewee's permission, so that facts could be confirmed by playing them back if necessary, during the analysis phase. This happened after ethical clearance had been obtained and a signed consent letter was signed by all the interviewees. The responses from the interviews were not manipulated in anyway during data analysis. The GIBS data storage policy was adhered to, the recorded interviews and transcripts were stored in a secure data bank and will be kept for 10 years. Only the researcher will have access to the data.

Data Transferability: this refers to the ability of outcomes of one study to another study can be applied to other. This quality is important in increasing the significance of qualitative research across different contexts (The Clinical Teacher, 2024). This research ensured transferability by being multifaceted in nature and is applicable in diverse and inclusion, supply chain development and BBBEE studies in the automotive industry.

Dependability: This research achieved dependability by having accurate documents and implementing an audit trail that ensured the exploration process was clear and duplicatable (Ahmed, 2024) All recordings for the interviews were recorded on the same device that can only be accessed by the researcher with a personal identification number. The transcriptions were also done using the same application that required login details and stored securely on Google drive.

Confirmability: This research's outcomes was based on the participant's responses and does not include any bias from the researcher (Ahmed, 2023) This was achieved by a researcher reflection technique, where the researcher took time to reflect on their opinions and biases after every interview to become aware of how these could influence the interpretation of the outcome (Candela, 2019).

Triangulation: This was the tactic used in this qualitative research to guarantee more scientific precision, dependability, and credibility in the accomplishment of the stated goals (Santos et al.,2020). This was achieved by the researcher interviewing both black and white entrepreneurs, OEM representatives and industry experts to enable the consideration of the issues from various perspectives, which diminished bias resulting from a singular analytical viewpoint and promoted the confrontation of information. (Santos et al.,2020).

Ethics

This research made a number of considerations to ensure it was ethical and respect the respondents throughout the process. The first step was obtaining approval from the ethics committee at GIBS (Appendix A). The researcher firstly informed the participants about intention of the study, informed them of their rights and the choice to opt out at any point. (Appendix B) The researcher also ensured the respondent's identities and personal information was kept safe to maintain trust and boost them to give honest responses. (Laryeafio & Ogbewe, 2023). The data in this research was deidentified which is important given the sensitivity and compliance with the ethical clearance agreement (Walsh et al., 2024).

4.3.9 Limitations

There is no research that is flawless, this study may be flawed as the result of a limited sample size, methodological difficulties, the researcher's prejudice and unresolved issues, which will have an effect on how useful the findings are (Saunders et al., 2023). The sample of black dealers was limited to a small pool of black dealers in the new car retail sector due to the scope of the study, if the research had included used cars and service dealers the pool of black entrepreneurs would have been bigger.

Research shows that the position of the researcher may influence the conditions surrounding the communication, affecting how interviewees respond (Boşnak, 2022). This was experienced by the researcher when 2 of the 7 OEMs declined to be interviewed by the researcher because of their position in the automotive industry. The OEMs looked at the interview questions and decided that answering them would be divulging proprietary information.

The limitation of this data qualitative analysis can be researcher bias, which would come through the interpretation of the data as it relies on the perceptions of the researcher (Ahmed, 2024). The researcher has worked in the automotive industry in South Africa for over 20 years and has witnessed the slow change in the demographics of ownership in dealerships, this could have influenced the analysis, if the researcher had not made a conscious effort to remained objective throughout the research process.

Practical limitations of the study include: the study focused on black dealers but other groups from the previously disadvantaged groups experience the same challenges. The study is based on the 7 automotive OEMs that manufacture vehicles in South Africa. The BBBEE requirements for increasing black ownership also apply to importers of motor vehicles in South Africa and these were not included in the study. The dealers interviewed also own other franchises besides the local 7 OEMs and their general feeling about OEMs could have included those of importers.

CHAPTER 5 RESEARCH RESULTS

5.1 Introduction

This chapter set out the results of the primary data collected by starting off with giving context to the sample and why it was included. It then set out the results first per group and then consolidated the answering the research questions using the themes that were dominant across the results from the black and white dealers, industry experts and the OEMs. A positivist approach was taken to analyse the data for reliability which checked for agreement amongst the respondents and for frequency of categories. Only categories relevant to answering the research questions were focused on by this paper. The research was undertaken to find out why, despite regulatory requirements, efforts by the OEMs, industry bodies and the interest by black investors, there are still few black owned franchise dealers.

The data collection included questions that examined the views on current inclusion levels of black retail dealers in automotive retail from both black and white dealers, the OEMs and industry experts, then enquired on the ease of selection processes, the reason why both white and black dealers were included in the research was to try and establish similarities and a balanced view of the OEM requirements of the and the support available and not available. The paper then enquired from the automotive OEMs about the supply chain diversity programmes they have in place, from the perspective of the BBBE act. The interview questions also gathered possible recommendation to address the phenomena from all the groups and these were reviewed and included as part of the results.

5.2 Description of sample

A key requirement when selecting all the respondents was a wealth of experience in the automotive sector and an understanding of the BBBEE act in the industry. The industry experts, a vehicle and asset finance bank, NADA and the IATF have a vested interest in the transformation of the industry. The 7 OEMs based on the feedback expressed interest in advancing the inclusion of black entrepreneurs which was kicked off by their contribution to the equity equivalent IATF. Only independent white dealers that would have had to source capital, develop their own skills and are

operationally involved in the running of dealerships were included in the sample. 4 Black entrepreneurs with varied experience as automotive dealers were selected. 2 are current owners of multiple dealers of the 7 OEMs and are operationally involved in the day to day running of their dealerships. One who self-funded and is self-taught, and the other a product of a successful OEM supplier development programme and recipient of a loan form the AITF. 1 was successful in acquiring an ownership share in a white owned dealer group and exited after a while. The other is experienced employee of one of the OEMs that has source funding but has failed to acquire a retail franchise with the OEMs.

Table 11: Description of Sample

Respondant Code	Demography	Sector	Position	Core Role
Industry Expert 1	Black Female	Bank	General Manager	Dealer Funding/OEM/Retail vehicle finance banking solutions
Industry Expert 2	White Male	Dealer /Automotive Organisation	Director	Represents the interests of owners/operators of new vehicle franchise motor dealerships
Industry Expert 3	Black Male	Empowerment Fund	General Manager	Empowerment Fund for the automotive industry
OEM Representative 1	White Male	OEM	Senior Manager	Involved in the OEM dealer network strategy
OEM Representative 2	Black Male	OEM	Senior Manager	Involved in the OEM dealer network strategy
OEM Representative 3	Black Male	OEM	Senior Manager	Involved in the OEM dealer network strategy
White Dealer 1	White Female	Multiple franchise Dealership owner	Dealership owner and Franchise Director	Opeationally involved in running dealerships
White Dealer 2	White Male	Multiple franchise Dealership owner	Dealership owner and Franchise Director	Opeationally involved in running dealerships
White Dealer 3	White Males	Multiple franchise Dealership owner	Dealership owner and Franchise Director	Opeationally involved in running dealerships
Black Dealer 1	Black Male	Multiple franchise Dealership owner	Dealership owner and Franchise Director	Opeationally involved in running dealerships
Black Dealer 2	Black Male	Multiple franchise Dealership owner	Dealership owner and Franchise Director	Opeationally involved in running dealerships
Black Dealer 3	Black Male	OEM	General Manager	Resigned as dealership ownership
Black Dealer 4	Black Male	OEM	Regional Manager	Unsuccessful applicant of OEM dealer application

5.3 Context of the sample in automotive industry

This section outlines the context of the sample by giving a summary of the requirements and the general retail dealer onboarding process for automotive OEMs in South Africa, so that the questions and answers given in the research can make sense to the reader. This is because very little research has been done in this area of the automotive value chain, therefore there was no literature to support, the researcher has used the quotations from the participants to give the context.

The outline is based on the requirements as set out on the OEM websites and 2 examples of the requirement lists are attached in Annexure 1 and feedback obtained during the interviews.
The automotive OEMs in South Africa have traditionally operated on a franchise model and have in the past appointed dealers as franchisees. It should be noted that 2 of the 7 OEMs included in the study have transitioned to an agency model in the last few years, but this model still requires a retail operator to retail the vehicles. This model however is not exempt from diversity and inclusion required in the industry.

"With the role of the agency model, the organisation rolled-out a new dealer agreement. To improve compliance, the new contract includes BBBEE compliance is a contractual condition in the dealer agreement. The condition allows us as an OEM the avenue to target the dealers on specific BBBEE levels. Since implementing this contract, the level of compliance has improved from 51% to 90%". OEM Representative 3

In general, to acquire a dealership, the prospective investor approaches and OEM and expresses interest in owning a dealership in a specific area or is advised by the OEM of any open existing or new points. The dealer development department of the OEM is responsible for deciding on the optimal size of the OEM dealer network and vetting the applications from prospective investors. The investor then goes through an OEM application process (Annexure 1).

"our legal department has also kind of given us that steer that we need to give everybody an opportunity, equal opportunity. So, what we do is we have a list of about, I think, probably around 15 potential investors that we've, that we've kind of interviewed or had meetings with in the past. And that are black investors. And I think for each one, we know more or less which area they would like to invest in, we would obviously consider those and put those names forward and give them access. But at the end of the day, it's winning buyer a winning seller, right? So, you know, the seller could say, don't want to do business with this business person, I'm looking for this, , which could then damage the 50.1% required." OEM Representative 1

“We haven't had a lot of open points given; you know the trajectory of the industry. We've contracted our network versus expanding. As a result, there hasn't really been too many open points advertised to say we're looking for someone to put in as a dealership owner. So, what's happened over the years is every time someone exits or wants to exit, they would bring a prospective buyer, someone that they've already spoken to, to say, you know, are you new to some of our business? Are you interested in buying it? And then they would table that with us.” OEM Representative 2

Part of the requirements are premises which will require the OEM corporate identity,

“I think in terms of application process where they can improve on is that they can be a little less intense in terms of facility and what their expectation is in terms of a setup.
Today, every OEM, for whatever reason, is insisting on these massive facilities and a CI, which is all important, but I think that could be a little more lenient
I believe the future of motor is multi-franchising with clear brand separation” White Dealer 2

a credit facility through the OEM partner vehicle and asset finance bank to purchase stock, working capital, experienced staff and a sound documented business plan. The investor either uses their own capital or has to source it from development banks if the applicant is from the previously disadvantaged groups.

“*We were instrumental in establishing the Automotive Transformation Investment Fund. You could say that the AITF was our brainchild. The plan is that the fund makes funding accessible to assist a potential black investor access funding to start businesses in the automotive industry and from who OEM can procure to improve PREF-PROC.”* OEM Representative 3

“Yeah, so like I said, two parts. Setting up the buildings, obviously, because we are also in property development, we had to, that was being funded. But setting

up the dealerships themselves, it was also self-funded. But as you know, with cars, then you ask for floor plans from the two OEMs to buy the new cars. Basically, if you've got a new floor plan, you can get a badge, you know." Black Dealer 1

The automotive retail business is a complex business that requires expertise in new and used car sales, service, and workshop department as well as the finance and business management of cashflow.

"The motor trade is a very complicated business with many moving and variable parts in terms of every facet and department of the operations" White Dealer 2

There is no academic qualification in South Africa that teaches all these skills as a university or college qualification and therefore these skills are often acquired through practical experience.

"So in a way, you merge experience gained over the years plus funding, versus someone who maybe just owns any business, say, for example, they own a logistics business, and they come in and say, I want to buy a dealership. That experience, OEMs are always insisting on it in the sense that if you don't have X amount of experience, it's difficult to look at you as a potential owner, because the impact of you failing is quite high." OEM Representative 2

Dealers also often join industry bodies to learn best practice and get benchmark figures.

" we assist our collective membership in terms of representing them at government, at regulator level, big business level, just to look after their collective interests. When I say collective interests, those are their non-competitive interests." Industry expert 2

Once the application is approved by the OEM, the OEM sets performance targets for each of the departments of the dealership and pays the dealership incentives for

achieving these targets. Failure to reach these targets means the dealership does not generate second gross income which affects profitability.

Highly skilled staff in sales, technicians, accounting, and business management are required to make the dealership successful.
"A dealership has 5 pillars, Workshop, New Cars, Used Cars, Parts, Admin. Different OEM's work on different systems and make it difficult to have so many staff for all the roles." White Dealer 1

Some OEMs offer development programmes to equip the dealers to maximise profit in the different department of the dealership business.
"I developed the training program for myself, which is currently being used by …… of South Africa. She knew my story as a successful beneficiary of a development programme at ……. and she then said, I want to develop what you developed officially for …, and then we brainstormed and that's why you have that program today." Black Dealer 2

5.4 Finding per respondent groups

5.4.1 OEM Feedback

The OEM feedback had several themes as per the table below, the ones relevant to the topic were further elaborated to show how they address the research questions. Given that research had shown that there had been limited success in increasing the number of Black dealers of the seven local OEMs of the automotive industry.

BBBEE in OEMs play a significant role in the results as bases for addressing the research questions. The interview guide for the OEMs was set up to find out firstly the progress they have made so far in inclusion and diversity of black dealership owners and ascertain the level of success of these entrepreneurs. The idea was to find out if there has been success, if this has been achieved through structured selection processes, and if there were any concessions or additional provisions for Black applicants. The research aimed to ascertain if the selection process was based on an initiative-taking bases where OEMs invited black investors to apply or reactive where they waited for applicants to approach the OEMs. The number of applications received was intended to establish the level of interest from black investors. It was important to explore the existence and effectiveness of the OEM supplier development programmes. The research sort to establish if there were programmes in place for successful applicants and for those keen to join the industry before opportunities had come up. The BBBEE part of the guide checked for compliance and commitment from the OEMs and ascertained how OEMs have implemented the act in the downstream supply chain side of dealership ownership.

5.4.1.1. BBBEE:

Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?

Table 13: BBBEE OEM Feedback

Question	Participant	Quote	Code	Themes :Inhibitors	Themes : Opportunities
BBBE					
What is your current score on enterprise development?	OEM Representative 2	Enterprise development was mostly focused on supplier spend, not ownership due to global structure.			
	OEM Representative 3	We don't track enterprise development at retailer level.			
	OEM Representative 3	We achieved maximum points, supporting black enterprises to enter the automotive value chain.			
	OEM Representative 1	The legal requirement is 50.1% black ownership for change of ownership.			
How has your organization implemented BBBEE and what level have you achieved?	OEM Representative 2	We have achieved up to level 2, fluctuating between 2 and 3 depending on investments. For dealers , when you look at corporates or groups, ones that are listed especially, there's black ownership, but in a way, it's a bit of a tricky one to consider that as black ownership,	Compliance Measures	Challenges in maintaining compliance	
	OEM Representative 3	New dealer agreements include BBBEE compliance as a contractual condition, improving compliance to 90%.	Contractual Obligation	Enforcing compliance through agreements	Enforcing compliance through agreements
	OEM Representative 1	We are at level 3 now due to initiatives like the YES program and other upstream supplier development programmes	Employment Contributi	Investing in job creation	
What is your view regarding the number of black-owned new car dealers?	OEM Representative 2	There are 100% not enough black-owned dealerships in the industry and Getting them to transform has been a challenge and equally internally there's always been the challenge.		Challenges with supplier transformation	
	OEM Representative 3	We believe BBBEE compliance should reflect active participation within the community. The Board agreed on a B-BBEE roadmap for the organization.	Compliance Strategy	Long-term compliance roadmap	
	OEM Representative 1	No formal plans yet, but joint ventures are being considered.We have a training program and a technical training centre – this helps retain talent and improve skills	Skills Development	Dealer Staff Training	
What do you believe your organization can contribute towards achieving SAAM2035 goals?	OEM Representative 2	Our focus should be on both upstream and downstream contributions towards transformation.			
	OEM Representative 3	Attract investment, create employment, and increase localization.	Funding Support	Financial assistance for black businesses	

Enforcing compliance through agreements

An interesting observation at the start of some interviews was the fact that two out of the 3 OEM representatives were not aware of the BBBEE score and the high-level enterprise development activities of their organisation, indicating the silo mentality withing the organisation around the transformation of the supply chain OEM agenda.

"Yes. I think we're at level three now, right? And I don't know all the details behind it because I'm not that close to it" OEM Representative 1

The results show that all 3 OEM's have achieved between level 2 and 3 in their BBBEE scores and working towards improving their scores even further, and they now mandate their suppliers to be BBBEE compliant including their dealer network.

"*The Board agreed on B-BBEE roadmap for the organization. Ultimately, the roadmap should lead to what we call a north-star target of level. The targets were set for each of the divisions within….. and are monitored regularly".* OEM Representative 3

They mentioned that the good scores were as a results of a huge focus on enterprise development due to the fact that their local entities were not able to include Black ownership.

"…..*Enterprise development, we budget a huge amount of money that we spend on supplier development, it has not been through ownership because the organization is, it being a, call it a family-owned business globally, the stance has always been that we will not part with ownership because that is not how the business is set up"* OEM Representative 2

The focus on enterprise development is due to the fact that white suppliers historically dominated the automotive industry value chain, and they have forged strong partnerships with the OEMs and replacing them with Black suppliers is in some instances proving to be challenging to the OEMs.

"I must say that the support behind BBBE is divided in the sense that you have suppliers that have been with you for years who carry experience and are very good at what they do, of course, but do not meet the BBBEE status.
Getting them to transform has been a challenge and equally internally there has always been the challenge as to if we let go of this particular supplier, you lose a lot of intel." OEM Representative 2

All OEMs have also incorporated BBBEE compliance in their dealer agreements and are enforcing compliance within their dealer network.

"To improve compliance, the new contract includes BBBEE compliance is a contractual condition in the dealer agreement. The condition allows us as an OEM the avenue to target the dealers on specific BBBEE levels." OEM Representative 3

BBBEE benefiting larger groups

Some dealers have however found ingenious ways to become BBBEE compliant on ownership tick the compliance box.

"*Others have even gone by setting up an employee trust, which would give them the 25%. But the concern with that, the likes of AITF would reiterate, it doesn't really give you a Black owner sitting at the table. It's really just, employees who, yes, get dividends if the company does well, but they don't sit at the table making those key decisions that we want them to make."* OEM Representative 2

And in big dealer groups *"when you look at corporates or groups, ones that are listed especially, there's black ownership, but in a way, it's a bit of a tricky one to consider that as black ownership, because, again, it's within a corporate"* OEM Representativ2

Challenges with compliance with some family

The OEMs have experienced some challenges with compliance with some family-owned businesses not wanting to be BBBEE compliant.

"Yes, you could have rules and laws, just like the BBBE code, but you will always have restriction towards that. Some of your more experienced partners who hold a lot of equity, both in the industry as well as with specific brands, if they are family-owned, they will oppose it, because either they've tried it and it's failed, or they have

their own succession plans in terms of, this business is going to my son and his son, and it's going to be kept in that space." OEM Representative 2

5.4.1.2 Diversity and Inclusion

Why is the automotive dealer retail sector not inclusive and diverse?

Table 14: Diversity and Inclusion OEM Feedback

Question	Participant	Quote	Code	Themes :Inhibitors	Themes :Opportunities
Diversity and Inclusion					
How many franchise black-owned dealerships does your brand have?	OEM Representative 2	We have three independently owned black dealerships, most of which are Indian-owned.	Diversity & Ownership Representation	Limited Number of Black-Owned Dealerships Within the Brand	
	OEM Representative 3	5 black owners collectively own 14 of 44 outlets.	Diversity & Ownership Representation		Growing but Limited Black Ownership in Franchise Dealerships
	OEM Representative 1	Three. Yeah. Three out of 100 dealers, 3 out of 41 investors.	Diversity & Ownership Representation	Limited Black Ownership in Dealership & Investment Network	
How long have you had them for and what is their performance?	OEM Representative 2	Two dealerships have been operating for over 20 years and performed well due to deep community ties.	Black-Owned Dealership Performance		Long-Standing Success Through Community Engagement
	OEM Representative 3	Rural dealerships maintained profitability due to strong balance sheets and second-generation ownership.	Black-Owned Dealership Performance		Rural Dealership Success Through Financial Stability & Generational Ownership
	OEM Representative 1	I think the performance issue is really achieving the sales to target number, is to sell the volume that's expected by us.	Black-Owned Dealership Performance	Performance Measured by Sales Target Achievement	

Limited Number of Black Owners

Three out of the seven local manufacturing OEMs were interviewed. Their number of Black owned dealers were few relative to the size of their dealer networks. They mentioned that the majority of their dealers were owned by major corporations which owned multiple dealers within their networks which are called "groups" or "dealer groups".

"If we look at our network, that we've been talking about, you know, 70% of it is groups" OEM Representative 2

These were then followed closely by what they called independent dealers which are made up mostly of family businesses that have been passed down from generation to generation.

Lack Of Involvement From The Investors

There was general satisfaction with performance of some black dealers with 2 of the OEMS. One mentioned that they were not satisfied with two of their black owned dealers due to a lack of involvement from the investors in the operations and lack of experience.

"I think….. has been the most successful because he has got OEM experience, and he also is involved in the business. So, he sits in the business, he sells cars, he's actively involved where the other two investors have not really been successful because of that reason. They're not involved in the business, and they don't really know the business." OEM Representative 1

The investor involvement should form part of the selection process, and it should be made conditional that the potential investor should be involved the operations of the dealership to prevent failure.

This contributes to a *lack of success of these black dealers*:

"because they're so removed from it. So, we've had quite a few, there's been incidents of fraud, and also obviously, just the expense management I think has been a challenge. And keeping staff, I think staff turnover's also been a big challenge for them. not just from a staff perspective, but also from leadership perspective. So a lot of management changes. I think the staff and mostly the management also gets frustrated because they don't have easy access to the investors when they want to make decisions" OEM Representative 1

In terms of opportunities available the OEM said they were scaling down their dealer networks in view of the shrinking market and the entrance of multiple cheaper brands.

"*Given the contraction of the premium segment in the market. We have not been on an expansion program to appoint new retailers."* OEM Representative 3

The OEMs need to plan a different strategies to increase black dealership ownership given the market access opportunities are declining.

5.4.1.4 Supplier Selection:

Do the OEM dealer supplier selection processes support diversity and inclusion?

Table 15: Supplier Selection OEM Feedback

Question	Participant	Quote	Code	Themes :Inhibitors	Themes :Opportunities
Supplier Selection					
What are your selection criteria for dealership applications?	OEM Representative 2	Over the years, the rules have evolved, ideally, you want 51% black ownership but very few applicants meet that.	Dealership Selection Criteria		Preference for 51% Black Ownership, but Few Meet the Requirement
	OEM Representative 3	Criteria include identity checks, source of funds, BBBEE score, and location preference.	Dealership Selection Criteria	Source of funds often a challenge	
	OEM Representative 3	Selection criteria involve minimum black ownership percentage.	Dealership Selection Criteria		Preference for 51% Black Ownership, but Few Meet the Requirement
	OEM Representative 1	the minimum requirement, is 50.1% black ownership/The selection criteria evaluate the investors identity (background checks), source of funds, BBBEE score of the entity, location they prefer and a need for our presence.	Vetting Investors	Criteria for investor selection	
How many applications from black applicants do you receive or have received in the past?	OEM Representative 2	Not a lot, I can count them on one hand; lack of open points is a major issue.		Limited Black Applicant Pool & Open Points Issue	
	OEM Representative 3	Vetted 15 black investors between 2023-2024 but no transactions materialized.		Challenges in Converting Black Investors to Dealership Owners	
	OEM Representative 3	No transactions have materialized despite vetting investors.			
	OEM Representative 1	We are struggling with that criteria in the current environment.	Challenges in Ownership	Struggles in meeting black ownership	
What were some of the reasons they were successful and unsuccessful?	OEM Representative 2	Success stories often involve black owners partnered with experienced white owners.	Mentorship	Partnerships aiding success	
	OEM Representative 3	Success depends on having an attractive business case, profitability is a major challenge.			
	OEM Representative 1	xxx has been the most successful because he has got OEM experience and he also is involved in the business.	Experience Matters		Active participation in business leads to success

Criteria for Investor Selection: 51% Black ownership

All the OEMs interviewed mentioned that they had put in place rules for minimum percentage for Black ownership for dealership changes as there were limited opportunities for new points. It is important to note the Black ownership percentage required by the OEMs, was consistent with the promise they have collectively made to the IATF to look for 51% Black ownership.

"The selection criteria evaluate the investors' identity (background checks), source of funds, BBBEE score of the entity, location they prefer and a need for our presence. Investment size etc." OEM Representative 3

The OEMs have made funding available to potential owners to access funding through the IATF

"You could say that the AITF was our brainchild. The plan is that the fund makes funding accessible to assist a potential black investor access funding to start businesses in the automotive industry" OEM Representative 1

Experience Matters

However, funding appears to be a secondary requirement, as prior experience is more important:

"*So, in a way, you merge experience gained over the years plus funding, versus someone who maybe just owns any business, say, for example, they own a logistics business, and they come in and say, I want to buy a dealership."* OEM Representative 2

This is to avoid failure

"You know and just for the sake of you know the colour of the person's skin to put him into a dealership and knowing that the environment is so competitive and cutthroat and especially an investor that still needs to access his funds so you know you're still gonna go and get a loan and you have to pay the loan plus you haven't got the expertise I think it's suicide to do something like that." OEM Representative 1

Board of directors had given them clear directives to appoint black investors

All the OEM confirmed that all their board of directors had given them clear directives to appoint black investors for any ownership changes with their dealer networks

Okay, so the minimum requirement, as you know, is 50.1% black ownership. That is the qualifying criteria, right, for any change of ownership. But as you know, we are struggling with that criteria in the current environment. OEM Representative 1

They however mentioned that these rules would be deviated from when an investor insisted on selling to a buyer of his choice based on a willing buyer willing seller.

"*the seller could say, they don't want to do business with this business person, I'm looking for this, which could, which could then damage the 50.1% required*" OEM Representative 1

Deviation from set rules for business reasons

Rules would also be deviated from depending on the location of the selling dealer.

"…… *wants to sell their business. And the potential buyer has got 26%. And that's not good enough, you know, so, but now to find a black investor that wants to invest in ……..”* OEM Representative 1

One of the OEMs said Black ownership requirement would be reconsidered when the prospective buyer has less than 51% Black ownership but will improve performance for the OEM.

"*if the area is really non-performing and this particular partner is pretty strong, particularly in other brands, they'll take them on without really enforcing, you know, that 25%”* OEM Representative 2

Experience and a track record

Experience and a track record in the automotive industry was a critical requirement of the selection processes of the OEMs.

“Ideally, you need an investor that's got the expertise, especially in the climate that we're in now. And that is a challenge” OEM Representative 1

One OEM had an example of how experience results in success for black dealership owners

“Two of the black owners (who own two outlets) are located in rural locations, which have been the hardest hit in this economy, have sustained their profitability and are reliable sales volume performers. They are both second generation businesses with strong balance sheets which has insulated their performance during these tough times. Both owners are considered good partners who are excellent collaborators to the OEM.” OEM Representative 3

Exemption for Experience

Experience was not however necessary if the black owner was going to be a shareholder in group or corporate

So in a way, you've got two situations:

1. Your smaller, call it independent dealerships. That's where you'll see perhaps not such a big success rate because when you come in as a black owner, you are expected to be active in the business.

2. The corporate side of it, you come in and you come in into just a board, right? So your ownership adds to the transformation of the business, but, you know, you're almost at a level where you sit at a board up here, but you're not really active in the business. In a way, you succeed, but you're not really operating the business at a time level. OEM Representative 2

Stigma of failed black dealers with OEMs

The appointment of black dealers without the necessary experience has led to failure and this is the stigma that is then attributed to black investors in general and difficult to challenge amongst the OEM internal stakeholders

“And so there's been a hesitancy in appointing someone brand new because we've done that in the past. And in my view, for a number of reasons, it didn't go well. It failed. Perhaps not the right amount of support, perhaps not, the individual, not setting them up so that they are able to compete with their more experienced white counterparts. And so that'll always be that example that everyone goes to when they speak of, you know, when we appointed a black-owned dealership, OEM Representative 2

The reality is, over the years white dealers have also failed but because of the number of successful white dealers, the same stigma does not get attribute to this group.

5.4.1.4 Supplier diversity programmes

Do the OEM dealer supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?

Table 16: Supplier Diversity Programmes OEM Feedback

Question	Participant	Quote	Code	Themes :Inhibitors	Themes :Opportunities
Supplier diveristy development programmes					
Do you have any supply chain development programs particularly targeting black dealership owners?	OEM Representative 2	We don't have specific supply chain development programs targeting black dealership owners./I think the one thing, and understandably so, that I suppose has been lacking is experience.	Impact of Experience	Lack of experience as a barrier	
	OEM Representative 3	No specific programs targeting black dealership owners.We have not been on an expansion program to appoint new retailers.	Market Contraction	Difficulties in attracting black investors	
	OEM Representative 1	We have a training program and a technical training centre – this helps retain talent and improve skills/	Skills Development		Dealer Staff Training
What are your plans around the demography of investors in your franchise?	OEM Representative 2	We need to ensure that the fund structures are appropriate and that the OEM is set up to support those black owners.	Joint Ventures		Collaborations for inclusivity
	OEM Representative 3	Strict targets are set for BBBEE levels with focus on changes in ownership. The company has set-up a fund whose main aim is to support black enterprises to enter the automotive value chain.	Financial Support		Setting up funds for black enterprises
	OEM Representative 1	Aiming for 25% black ownership by 2035 through joint ventures and ownership changes./The minimum requirement, as you know, is 50.1% black ownership.	Ownership Criteria		Minimum ownership requirements

OEM supplier development investment

The 3 OEMs said they have invested a significant amount of money toward supplier development and achieved good results that have contributed towards the previously disadvantaged population and have created employment.

"*The company has set-up a fund whose main aim is to support black enterprise to enter the automotive value chain. We provide funds and development support where required to the black enterprises. Once the funds have provided, we monitor progress of the beneficiaries and provide support where needed in areas such as*

project management, financial management and others. Some of the enterprises have become suppliers to the auto sector." OEM Representative 3

All the OEMs interviewed had supplier development programmes in place but with no particular focus on developing black dealership owners.

"As an OEM we are constantly on a drive to achieve efficiency in the supply chain. But I cannot say that they are specifically designed to benefit black dealerships." OEM Representative 3

As research on the automotive industry has shown mentioned in the literature review, a lot of emphasis has been on the upstream supply chain development.

"A lot of the supply chain development programs we have are under ….. 's supply chain, and so the suppliers that contribute towards, you know, the supply chain of what we produce, but not necessarily contributing towards, you know, dealers per se". OEM Representative 2

Development programmes for dealerships

The OEMs interviewed had skills development programmes for dealerships was aimed at training dealer staff for example future dealer principal and technical staff, but training was not geared to get investors ready for ownership of dealerships.

"We have a training program and a technical training centre – this helps retain talent and improve skills" OEM Representative 3

One of the OEMs mentioned achieving success in their downstream supply chain which included helping one dealer in accessing funding from the AIFT.

"In our Equity Equivalent Investment Programme that is also Supplier Development. To date, we have 5 direct deals approved and 1 indirect deal. In total, four deals are upstream (production) and 2 downstream. As we constantly exceed our market access targets, R522 million in 2024 vs R95.7 million target. Focus this year onwards

is on adding more deals to our pipeline for approval by the AITF" OEM Representative 1.

This OEM however has over a hundred dealers and has only three are Black owned dealerships, a less than 3% share.

It is worth noting that despite all these massive investment in supply chain development, the OEM representatives stressed the importance of onboarding experienced black investors and how difficult it has been to find qualifying black dealers when there was an open point to fill.

"I think it's wrong you know and that's probably the reason why it's so difficult because we need to find someone that's got access to money but also got the expertise. It's having that experience" OEM Representative 1

Opportunities need to be proactively created to give potential black investors the exposure to run successful dealership.

Summary of themes

Diversity and Inclusion	Supply chain development
Limited Number of Black Owners Lack of involvement from the investors Directives to appoint black investors Deviation from set rules for business reasons	AITF OEM supplier development investment Development programmes for dealerships
Supplier Selection	BBBEE
Criteria for Investor Selection: 51% Black ownership Experience and a track record Exemption for Experience- Corporate Stigma of failed black dealers with OEMs	Enforcing compliance through agreements Enterprise development BBBEE benefiting larger groups challenges with compliance with some family/ independent dealers

5.4.2 Black dealer Feedback

5.4.2.1 Diversity and inclusion:

Why is the dealer automotive retail sector not inclusive and diverse?

Industry experience

A mixture of black dealers was interviewed, firstly all of them had the OEM required automotive industry experience ranging from owning dealerships to experience gained in management roles in automotive retail. They however had different experiences in getting market access for the OEM franchises as black dealership owners.

Table 17: Diversity and Inclusion Black Dealer Feedback

Question	Participant	Quotations	Category	Themes: Inhibitors	Themes: Opportunities
Diversity and Inclusion					
Were you in the motor industry before buying your dealership?	BD 4	I've been in the motor industry now for the last 24 to 25 years.	Industry Experience	Long industry experience but systemic barriers prevent dealership ownership.	
	BD 3	I was part of the Kelston Group, owning 12% shares.	Industry Experience	Challenges of Scaling Up Ownership (Moving from partial to full ownership)	Partial Ownership as a Stepping Stone to Full Dealership Ownership
	BD 2	Joined BMW SA in 1997, exited to retail in 2001.	Industry Experience		Transition from Industry Employment to Dealership Ownership/Building Expertise in the Corporate Sector Before Ownership/ Leveraging Industry Experience to Establish a Successful Dealership
	BD 1	Previously owned GM, BMW, and Nissan dealerships.	Industry Experience		Diverse Dealership Ownership Experience
What resources did you have to start and run the dealership?	BD 4	I approached a bank directly with my credentials to start the dealership.	Accessing Capital & Establishing Ownership		Self-initiated funding path/Strategic Banking Relationships – I worked directly with financial institutions that understood the automotive
	BD 3	No capital injection, shares paid through dividends.			Using Dividends to Finance Ownership Without Capital Injection
	BD 2	Empowered by BMW SA through a loan and a training program.	Manufacturer Support in Dealership Ownership		Manufacturer-Backed Financing
	BD 1	Self-funded dealership with OEM support for car floor plans.	Self-Funded Ownership with OEM Support	Self-funding often limits growth opportunities.	OEM Support for Initial Stock
How long have you had your dealership for and how many have you opened since your first franchise dealership?	BD 4	I still don't have a dealership	Barriers to Black Ownership	Structural Barriers: challenges in accessing dealership opportunities/ barriers to Black ownership	
	BD 3	I worked for the dealer group for a some of 9 months and resigned	Experiences of Black Dealers in White-Owned Dealer Group	Structural financial challenges that made dealership ownership unsustainable/Lack of Financial Support for Black-Owned Dealerships	
	BD 2	Operated the East London BMW Franchise for 18 years	Black Ownership and Longevity in the Automotive Industry		Sustained Black ownership in Automotive Franchises
	BD 1	We owned a General Motors dealership and a BMW and a Nissan	Black Ownership and Longevity in the Automotive Industry		Sustained Black ownership in Automotive Franchises

The following are inhibitors and opportunities of diversity and inclusion as automotive retail based on the responses of the interviewed black dealers:

Systematic Barriers

One of the black dealers had been granted one of his current franchise due to having had previous OEMs, however he faced the challenge of convincing the OEMs

that the market he wanted to operate in was going to be viable due to what he believes was OEM bias against setting up dealerships in black township, for example:

"….Soweto is, you know, not considered as a city, even though it has developed and with the population it has. I mean, you get to other places, I'll make an example, like your Botswana, where you've got a population less than Soweto, it would have about three Toyotas, but in Soweto Toyota is smaller, but with a huge population." Black Dealer 1

It took a strong motivation to convince the OEM to award him the franchise in his chosen area and he has had the dealership for 14 years.

"*So, yeah, it becomes difficult, because people don't think we should be having a dealership. And then the application processes, you have more convincing to do with the OEMs, but eventually they see the light"* Black Dealer 1

Another Black dealer failed to secure a franchise with the OEM despite having OEM experience and had secured funding through a commercial bank, the OEM's reason was that the area he selected was not viable at the time for a standalone dealership and the existing white owned dealership in a distance from the area was adequate to service it, the OEM later decided to open a point in that area and the existing white dealer was the one given the opportunity to open a dealership in the area.

"*Yeah, look, for me there was a specific point, which is a strong point, that I wanted as part of my dealership. It was an open point at that stage where I approached the franchise department, and then they told me at the time that that area forms part of another dealer's area, because they had other ideas in terms of the type of people that they want, which is already on the retail side of the business….. So for me that was a big bummer, because now we could have had a fully-fledged empowerment dealership for that area, and that area is flourishing, that dealership is very profitable, that has been just turned away from us"* Black Dealer 4

Existing dealer groups restrict entry opportunities for newcomers

Black dealers alluded to the fact that historically white owned dealers' especially historical white dealer groups get better market access opportunities and better approval conditions compared to black dealers.

"And I think rather than growing the groups, because most of the dealerships. They were generational, family owned, white family owned, you know, so, but when those families sell, they sell to groups." Black Dealer 1

OEMs are said to offer opportunities to these groups first before offering them to independent black investors. Which is then the main reason for the persistent monopoly which reduces opportunities for black investors:

"I think some of the other colleagues that they were not even told about the open points, some open points because they just, the thing is the guys want to make this as easy as possible for themselves. They go to current investors as a first point of call and then if those guys are going to take it, they take it. If not, then maybe they will explore but I don't think they do that. They just go to the same people." Black Dealer 4

Because of the historical monopoly of the automotive dealerships by white dealers, one of the black dealers interviewed said he was forced to partner with a white dealer when he was granted the franchise by the OEMs

"When (OEM) appointed me as a dealer straight from the factory, they then forced (white dealer) onto me to say, you will give this white man a 20% share because they trusted his performance historically better." Black Dealer 2

Exclusive Invitation vs. Standard Application Process in Dealership Ownership
Opportunities are evident in 2 of the black dealers interviewed that were successful in acquiring franchises from some of the 7 OEMS. One black dealer was a recipient

of an equity stake in a previously white owned group as a result of his own entrepreneurial aspirations, this gave him market access.

"I was once upon a time involved in a dealer group that owned approximately 12 Audi and VW dealerships xxx Group. I was a director with a shareholding of 12% and a Dealer Principal"
"We structured the deal and inclusion with no capital injection from my end. The agreement was designed in such a way that my shares are paid through dividends from the group's earnings" Black dealer 3

Lack of awareness of IATF
This brings into question black dealer access to the IATF that was established to facilitate the funding inclusion of black entrepreneurs in the automotive retail sector. One of the dealers believes that very few entrepreneurs are aware of the fund.

…but lots of people, they don't know about the automotive fund. And if they knew about it, and I'm sure you would get a lot of people accessing it, you know. And maybe that's, that's how we could grow more black players in the industry. Black Dealer 1

Outlier - Sucess
The research however uncovered and brings to light a case of an outlier from a market access and funding perspective, a black dealer that got the opportunity to open a dealership as a result of proactive implementation of the OEM inclusion and diversity strategy.

"Yeah, my answer is I was empowered by the BMW South Africa board to design a trading training program for myself and prepare for the exit into the dealer network at the time at BMW."
"I was also funded by the OEM BMW with an interest-free loan payable in three instalments to purchase the business" Black Dealer 3

Based on the interviews with the OEMs, the outlier's example is not commonly done by OEMs currently. Research shows and the other dealers interviewed indicated that

they had automotive experience and were black and therefore fulfilled 2 of the requirements of the OEM as described earlier, the difference between the outlier and the others was the means to get access to the opportunity to become a dealer and the funding model. In the outlier dealer results, the OEM proactively provided the opportunity and the funding to give the black investor the opportunity to own a dealership. The same OEM when interviewed did not mention this as one of their supplier development strategies, meaning it was short lived.

5.4.2.2 Supplier Selection

What are the barriers of entry for black dealers in the selection processes of automotive industry?

Table 18: Supplier Selection Black Dealer Feedback

Question	Participant	Quotations	Category	Themes: Inhibitors	Themes: Opportunities
Supplier selection					
What was the application process like for each franchise?	BD 4	I was told the area I was targeting was already under another dealer's responsibility.	Challenges in the Franchise Application Process	Limited Opportunities Due to Exclusive Dealer Territories	
	BD 3	I was fortunate not to have to apply for any franchise.	Franchise Ownership Through Dealer Group Affiliation	Without structural change, breaking into the industry remains difficult.Need for social capital - Leverage Existing Dealer Networks and Industry Relationships Matter	Avoiding Lengthy Application Processes
	BD2	Invited directly by the OEMs for each franchise.	Franchise Ownership Through OEM Invitations	Networking is Crucial/Leveraging Relationships with OEM Leadership	
	BD 1	Faced challenges convincing OEMs due to operating in Soweto.	Challenges in Securing OEM Support	Difficulties Convincing OEMs Due to Operating in Soweto/Market Perception Issues / Proving Business Viability/ Need for OEM Flexibility	
What were the terms/conditions of the approval?	BD 4	when it comes to me being able to pay off the funds, obviously we would need to declare dividends, and it's something that they didn't do. So, that for me was a stumbling block,	Barriers to Black Dealer Ownership in Franchise Application	Financial Constraints and Unfavorable Ownership Structures/challenges in accessing dealership ownership, particularly due to financial limitations and business structures that do not support Black ownership success.Lack of Financial Support Mechanisms /Equity Restrictions/Self-Funded Business Model as a Barrier	
	BD 3	All necessary approvals and agreements were adhered to with VWSA. The one conditional approval was for me to attend the dealer principal course	Compliance and Approval Processes in Dealership Ownership		Track record of White owned dealer group used to meet OEM Requirements for Franchise Ownership
	BD2	I was invited by the OEM's	Exclusive Invitation vs. Standard Application Process in Dealership Ownership	OEM-Driven Selection of Black Dealers/OEM-Controlled Selection Process Lack of Transparent Application Pathways (Not all Black dealers get this opportunity) Strategic Transformation	
	BD 1	Not easy even now, but for groups, they get it quite easy, but for us, the balance sheet has to be strong	Financial Barriers in Dealership Ownership	Stricter Terms & Conditions for Independent Dealers/ Easier Access for Groups Need for More Inclusive Financing – OEMs and banks should offer better support for new and independent Black-owned dealerships.	
What should OEMs improve in terms of support and application processes?	BD 4	Existing dealer groups restrict entry opportunities for newcomers - some are poor performers	Improving OEM Support & Application Processes	Reducing Overconcentration Risks Balancing Dealer Group Expansion with Opportunities for Independent Dealers/Black dealers should have greater access to franchise opportunities.	
	BD 3	Soft Loans with OEM Backing/ Long-Term Black Participation Strategies/Growth & Expansion Support	Strategies for Sustainable Black Dealership Ownership		Financial & Structural Support from OEMs
	BD2	Need for mentorship programs and gradual transition into ownership.	Mentorship & Gradual Transition into Dealership Ownership/ OEM-Supported Mentorship Programs /Phased Ownership Transition	Absence of Pipeline for Black Dealership Owners	
	BD 1	OEMs should relax requirements for independent dealerships.	Relaxing OEM Requirements for Independent Dealerships	Lower Capital & Financial Barriers/Simplified Application Processes/Longer-Term OEM Backing	Creating a More Accessible Entry Path for Black Dealers
Has the OEM asked you for feedback regarding what they can do better?		Never ever.	Lack of OEM Engagement with Black Dealers	No Feedback Mechanism for Black-Owned Dealerships	
		At the time and even thereafter, no.	Lack of OEM Engagement with Black Dealers	No Feedback Mechanism for Black-Owned Dealerships	
		To be honest, no.	Lack of OEM Engagement with Black Dealers	No Feedback Mechanism for Black-Owned Dealerships	
		OEMs assist by looking at numbers, but in the end, it's up to us to get the right people, push sales, and generate activity.	Financial Burden of OEM Requirements on Dealer	High Costs Imposed by OEMs vs. More Flexible Market Entrants	

Challenges in Franchise Application process

Following on from the example of the black dealer who stood out as the outlier under inclusion and diversity, the results for the selection process infer a need for social capital for black dealers to get opportunities based on the applicant's business network. Black Dealers 2 and 3 did not have go through a screening process but were instead offered opportunities to be owners of dealerships.

Black Dealer 2 acquired a stake in an existing dealer group through his networking

"This was and still is a very well-established dealer group. I was fortunate not to have to apply for any franchise."

Black Dealer 3 mentions that for one of the franchises he acquired he was invited to apply

"so, I didn't really have to apply. I was invited at OEMx. I was invited by xxx. Yes, at OEM x I'm probably still knocking right now, but I'm talking to people I know."

Black dealer 1 on the other hand, who is black and had prearranged his own capital failed to be invited or offered a lucrative market opportunity by the OEM. So having capital is not always the solution if opportunities are not proactively created by the OEMs.

"The only thing that they've done is they've informed me about small points, areas where the dealerships are not profitable. And it's more in rural areas and then they offer you that. As a startup dealership, you can't take over an area where if you have capital and you know you can build it and turn the thing around, then it is fine. But for a startup to go into a loss-making dealership and to purchase something like that, it's, yeah, I don't think it's in good faith."

Barriers to Black Dealership Ownership: Capital

3 black dealers interviewed had different challenges with capital in to become dealership owners.

Black dealer 1 believes that if he not relied on self-funding, he would not have been able to get access to owning a dealership.

"*it's still quite tough getting into the industry and I think if we didn't have the self-funding, I don't think we would have had the opportunity to be playing in this field*."

Self-funded black dealers are an exception and because of the huge amount of capital require to entre the motor dealership business.

Despite getting the opportunity of owning an equity stake in a previously white dealer group Black dealer 3 still had a funding challenge. The funding structure of paying for the shares using dividends put him at a disadvantage financially, and this forced him to decide to exit after a short period. The equity stake funding model also need to benefit the black investor for them to be viable.

"1) the dealer principal role was my day job and so my earnings were to come from it. Dependant on the financial outcomes of the said dealership alone, my commissions were based on them. 2) on closer analysis and observations, it would have taken a few years to pay off the share amount, without earning anything additional" Black Dealer 2

In his quest to become a dealer, after being declined an opportunity by the OEMs, Black Dealer 4 also approached a dealer group to try and buy an equity stake. Despite him having secured a loan at the bank, the repayment of the capital loan presented as a challenge for him to ownership.

So, initially I was looking at running a dealership on my own, and then I approached a dealer group. Where they offered me 10%. However, in the offering me of 10%, they said that their business is totally self-funded. So, when it comes to me being able to pay off the funds, obviously we would need to declare dividends, and it's something that they didn't do. So, that for me was a stumbling block, because how else would I be able to pay off the loan that I would be doing at the bank? Black Dealer 4

After raising capital to buy the dealership and the premises. Dealers require floorplan to buy stock.

"And then comes the second part is floor plan, right, you need a, I don't know, 10 million, 20 million, 30 million floor plan. But they generally want security there, to say,

if we give you this, what assets do you have for us to be able to give you that sort of security?..... It's a cruel world. Yeah. You sign up all these things and if you go under, they will sell them. Right. But sadly, they need too much in terms of security. There is not much favour that is out there to be able to assist you as a black startup to be able to go into the industry." Black dealer 2

The black dealers said the conditions of the approval from the OEMs were often very rigid, imposing further capital requirement which are already a barrier to entry in becoming a dealer. Example to these are the requirement of huge premises and the required corporate identity:

"*So they want you to put up, you know, these big structures with this furniture, which you must change, signage that you must change when they change. And all that cost, you know, comes to you. The OEM never takes any of that cost. So you are in there and you pay all that cost to run that"* Black Dealer 1

The black dealers believe that the selection criteria and the OEM approval conditions for dealer groups are more lenient:

Not at all, and it's still not easy even now, because I think the groups, they get it quite easy, but for us, like I say, you know, the balance sheet, it has to be strong, and like I say, it's mostly self-funded, you know.

5.4.2.3 Supply chain diversity programmes

Do the OEM dealer supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?"

Table 19: Supplier Chain Diversity Programmes Black Dealer Feedback

Question	Participant	Quotations	Category	Themes: Inhibitors	Themes: Opportunities
Supply chain diversity programmes					
What assistance have you received from the OEM?	BD 4	No assistance was offered from the OEM.	Lack of OEM Assistance for Black Dealers Existing retail space highlights systemic barriers for black entrepreneurs.	No Direct Support from the OEM	
	BD 3	No additional assistance provided by the OEM.	Lack of OEM Assistance for Black Dealers Existing retail space highlights systemic barriers for black entrepreneurs.	No Direct Support from the OEM	
	BD2	Received funding letter from the OEM for dealership purchases.	OEM Support Through Funding & Letters of Comfort		Financial Assistance for Dealership Acquisition
	BD 1	Received initial stock loans but minimal long-term support.	Short-Term vs. Long-Term OEM Support		Honeymoon Stock & Short-Term Loans
Do you consider yourself successful? Why or why not?	BD 4	I hit a brick wall every time in trying to enter the retail sector.	Challenges in Entering the Retail Sector	Barriers to Success in Dealership Ownership	
	BD 3	The structure was not conducive for personal success.	Structural Barriers to Success in Dealership Ownership	Systemic Challenges Hindering Black Dealers	
	BD2	Black-owned dealerships are limited due to high startup costs.	High Startup Costs Limit Black-Owned Dealerships	Financial Barriers to Entry in the Dealership Industry	
	BD 1	Independent dealers struggle due to limited stock access.	Challenges for Independent Dealers vs. Large Dealer Groups	Stock Access, Pricing Power & Staffing Disparities	
Do you have a succession or exit plan?	BD 4	I decided to look elsewhere since no tangible support exists.	Choosing to Exit the Dealership Industry Due to Lack of Support	Barriers Preventing Long-Term Black Dealer Participation	
	BD 3	No succession plan due to exiting the retail space.	No Succession Plan Due to Exit from Retail Space	Lack of Long-Term Viability for Black Dealers	
	BD2	Promotes gradual skill-building for black ownership opportunities.	Gradual Skill-Building for Black Ownership Opportunities		Developing a Strong Foundation for Sustainable Dealership Ownership
	BD 1	Working on developing children for future succession, want them to work in groups and return	Building a Legacy: Preparing the Next Generation for Dealership Succession	Gradual Skill Development Through Group Experience but no opportunities	

Financial Barriers to Entry

Looking at the dealers interviewed, Black Dealer 1 is self-funded, Black dealer 2, 3, 4 needed to make payment for either share capital or loans taken to start a dealership. OEM support in the form of supplier development programmes is then very critical.

The OEM set up the AITF as one of the mechanism to assist black entrepreneurs coming into the automotive value chain and 2 of the dealers explained their experiences with the AITF.

"Capital is the main challenge and even the current set up funding vehicle of AITF (Automotive Industry Transformation Fund) set up by the OEM's, has its own barriers of entry or limitations." Black Dealer 3

"Yeah, we tried now recently for, you know, working capital. But yeah, we found the process quite prolonged because you still need OEM support later, all those things. So we still self-funding". Black Dealer 1

The OEMs clearly need to step in and dialogue with the AIFT about giving better support to black dealers.

OEM Support Through Funding & Letters of Comfort

One of the dealers said they were also supported by the OEM with a letter of comfort to get working capital for a limited period. This is not standard practice as none of the OEMs mentioned it but would benefit black investors coming into the industry to get established and built their balance sheet.

"They also issued a letter of comfort for a limited period with Standard Bank to assist me with working capital, the overdraft facility.
Sadly, when the period, I think it was three or six months expired, Standard Bank, because I didn't have the necessary security, refused to extend the overdraft facility to me." Black Dealer 2

Short-Term vs. Long-Term OEM Support

Two of the dealers mention the support they get from the OEMs is often short lived and does not assist them long term.

"So, I'll say, okay, both OEMs, the only assistance they'll give you when you start up, they call it honeymoon stock.

Right. Whatever stock you want at that point, you will get. So that you don't queue up for stock. All the popular stock, they'll try and give you so that you maximize and make money. But that, you know, it's like honeymoon when you get married. It's short-lived." Black Dealer 1

Existing retail space highlights systemic barriers for black entrepreneurs

The dealers highlighted this as the assistance with stock in the long-term helps them to be compete equally with the larger dealers and would reduce the working capital

through the interest-bearing credit facilities floorplans versus the big dealer groups that can leverage of a wider availability and scale of the number of their dealers.

"You find a customer that needs a certain car. They look within their group, and they can pull a vehicle. So same on the used car, same as parts before they go to the plant to order a part. So they can deal amongst themselves before they look up to the OEM." Black Dealer 1

The dealers then said this leads to group dealers monopolizing the market putting these dealers

"So with us, you go to those groups and, you know, if they don't want to give you the car, they don't want to. But, you know, within them they can transact. So you find the customer wanting a particular car and you know that a certain group has got it, but they wouldn't release it to you. So, yeah, those are the shortfalls of being independent when you are small, you know." Black Dealer 1

Gradual Skill-Building for Black Ownership Opportunities

The results showed that the current OEM supplier development programs target developing their managers:
"The fact that they've got a DP development program, and it targets mostly your black persons within the network to attend. They push the investors to allocate somebody to come and attend and so forth. They're doing enough to push. I think they should continue to do that because that's a very important training ground.
They also need to extend it to your other functions, your service function, your sales function"

The dealers prefer more skills transfer on how to run dealership especially experientially from groups that have a structured and systems in place:

"*Another proactive approach could be identifying top skilled talent in the current pool of VW dealer principals and sales managers and introduce a directed course…The*

aim must be to enable and grow black participation into successful businesses. Mentor programs with successful and experienced current or previous owners could be explored". Black Dealer 3

This will also benefit the black dealers for their succession plans:

"I think the groups would be a good training ground. Much better. You know, they see things differently, bigger scale, things like that. So yeah, if they can manage that part to be able on their own, to be able to get in and be recognized to lead a department or whatever and then grow within that group and come back this side when they've gotten all that experience and expertise, that would be great." Black Dealer 1

5.4.2.4 BBBEE

Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?

Table 20: BBBEE Black Dealer Feedback

Question	Participant	Quotations	Category	Themes: Inhibitors	Themes: Opportunities
BBBEE					
Do you think there are enough black-owned franchise dealerships?	BD 4	Only two fully black-owned dealerships in four provinces that I manage	Insufficient Black-Owned Franchise Dealerships	Limited Representation in Key Regions Lack of OEM assistance disproportionately affects black entrepreneurs.	
	BD 3	Minimal black-owned franchise dealerships due to funding challenges.	Funding Challenges Limit Black-Owned Franchise Dealerships	Financial Barriers Prevent Industry Transformation Comprehensive funding models ensure business sustainability.	
	BD2	Access to funding remains the largest barrier.	Funding Access: The Biggest Barrier to Black-Owned Dealerships	Limited Capital Prevents Expansion & Sustainability	
	BD 1	Black-owned dealership performance and numbers are declining rapidly.	Decline in Black-Owned Dealerships & Performance	Ownership Decline Signals Systemic Issues Profitability & Sustainability Are Major Challenges	OEMs & Industry Stakeholders Must Intervene
Has BBBEE worked in the automotive retail sector?	BD 4	BBBEE has not worked in the retail sector, only in the upstream supply chain.	BBBEE's Limited Effectiveness in Automotive Retail	Transformation Has Been Restricted to the Supply Chain	
	BD 3	BBBEE has seen more failures than successes.	BBBEE Effectiveness	Failures:Lack of financial resources limits participation/Limited operational experience creates business risks/High financial risk discourages Black professionals from dealership ownership	Success factors:Meaningful Partnerships Drive Success /OEM Commitment Is Essential/Alignment & Shared Interest
	BD2	BBBEE has helped career pathing but is not fully effective.	BBBEE in Automotive Retail	Partial Success of BBBEE	
	BD 1	BBBEE compliance is minimal and groups dominate funding access.	BBBEE Effectiveness		
Why do black investors succeed or fail in the automotive sector?	BD 4	Successful investors are those serious about the business with industry background.	Success/Failure Factors	OEMs must take proactive roles in ensuring black ownership success.	
	BD 3	Success depends on meaningful partnerships with OEM involvement.	Success/Failure Factors	OEM programs alone cannot bridge systemic funding gaps.	
	BD2	Lack of funding and capital limits success in the sector.	Success/Failure Factors	Success & Failure Factors for Black Investors	
	BD 1	Failure often due to cash flow issues and high staff turnover.	Success/Failure Factors	Lack of funding and capital remains the biggest barrier to success.	

BBBEE has not worked in the retail sector, only in the upstream supply chain

"Not at all. Not in the retail sector. On the OEM side in terms of the purchasing of components and parts and that it's working very well because it's structured. There's a plan that's in place and you can see it. On the franchise side or the retail side, zero is being done other than the target it's being set." Black Dealer 4

BBBEE has helped career pathing but is not fully effective

"I'm saying, yes, it's worked as far as the upskilling of black people into responsible positions. You know, we've got a lot of black DPs out there, black sales managers, and so forth. So, it's worked in that light. Right. But in terms of ownership, it hasn't worked." Black Dealer 3

BBBEE compliance is minimal, and groups dominate funding access

The results show that black dealers believe that BBBEE compliance is easily attainable by dealer groups and even includes black ownership.

“So, for me, it's, it's, yeah, it's, it's just a pick box exercise and to do the absolute bare minimum in terms of empowering or black empowering franchise dealerships.” Black Dealer 4

Group dealers know how to systematically work the points until they become compliant

“But like I say, these groups have got layers and layers. They'll have a whole department working on BEE, and they'll make sure they get it right, and they will get a level 2, worst case scenario, level 3.” Black Dealer 1

Black dealers then don’t derive the benefit of being suppliers to corporates and get competition from the groups.

“So, because being a level one, you'll find a group white owned because they understand how to work this BBBEE, they will be a level two or a level three because they do the right things in the background. You see, so in that sense, you end up not competing because being a level one and you get a group a level two, a client, they don't see a need to move” Black Dealer 1

Dealer Groups ability to be BBBEE compliant, often including black ownership that is from one of the other sectors the corporate head office operates in and not automotive, qualifies them for additional dealerships because they meet the OEM black ownership requirements.

5.4.3 White dealer Feedback

5.4.3.1 Diversity and inclusion:

Why is the automotive dealer retail sector not inclusive and diverse?

It was important for the purposes of triangulation and to get objective views to ask the same interview questions to the white dealers to ensure objectivity.

Table 21: Diversity and Inclusion White Dealer Feedback

Question	Participa	Quotations	Category	Theme: Inhibitors	Opportunities
Diversity and Inclusion					
Were you in the motor industry before buying your dealership?	WD1	admin department and moving through various roles.	Prior Industry Experience in Dealership Ownership		Family Business as a Pathway to Ownership
	WD2	Started as a salesperson at Alpine before expanding the dealership.	Prior Industry Experience in Dealership Ownership		Career Progression from Sales to Ownership
	WD3	Started as a family business in the Free State since the 1970s.	Prior Industry Experience in Dealership Ownership		Family Business as a Pathway to Ownership
What resources did you have to start and run the dealership?	WD1	My father financed the dealership with a loan paid off over eight years.	Funding & Financial Support for Dealership Ownership		Family Financing & Long-Term Loan Repayment
	WD2	Shares were provided by existing businesses, paid through five years of work.	Funding & Financial Support for Dealership Ownership		Earned Equity Through Work Commitment
	WD3	hard work and dedication from my father and his brothers.	Funding & Financial Support for Dealership Ownership		Family Financing & Long-Term Loan Repayment
How long have you had your dealership, and how many have you opened since your first franchise?	WD1	We expanded from VW and Audi to include Citroen, Jeep, Fiat, Opel, and other brands.	Dealership Growth & Expansion		Multi-Brand Expansion After Initial Success
	WD2	Opened 17 additional dealerships since the first one.	Dealership Growth & Expansion		Multi-Brand Expansion After Initial Success
	WD3	Grew from a small parts business to three full dealerships.	Dealership Growth & Expansion		Multi-Brand Expansion After Initial Success

2 of the dealers interviewed were in second generation dealerships, the OEMs results showed that after dealer groups, family businesses are the common entities to own dealerships. This limits market opportunities for new entrance's, this combined with the OEMs right sizing the dealer network.

"*Started in December 1992 underneath my Father and his brother and had the opportunity in July 2004 for my father to finance both myself and my brother, who are 50% each shareholders."* White Dealer 1

And the other had been given an equity stake over 20 years ago the option to pay it back over five years.

"……it was a bit of an unusual trade but it's one that happens quite regularly I think.

They technically gave us the shares, but we had to work for five years so it actually came from existing businesses." White Dealer 2

The white dealers interviewed had automotive dealership experience in several departments in dealerships as they were family businesses, and they were groomed in each department before taking over, very few black entrepreneurs have the opportunity to get this exposure because they are often the first generation of their families in the automotive industry.

"But take myself if it wasn't for me, grown up in the business. And almost from a young age, understand what this market industry is about." White Dealer 3

"All of us have been in the market for a minimum of 20 years,
and started selling cars and then working way through every department to understand business. It's a long-term process." White Dealer 2

One of the white dealer had the opportunity to leave the family business, work at a dealer group and then returned to the family business. This was mentioned by a black dealer as the plan for his succession plan. Independent dealers are not as structured as the corporate dealer groups. This is a skill that even the white independent dealers say they require.

"*But I do think what we lack is we don't have those corporate policies and procedures and someone that is saying, reflect here, your work is outstanding. And because we've grown, it's become, because it's really just me controlling it and trying to control it."* White Dealer 1

This was input from a white dealer with years of experience in running a dealership. This highlights the need for supplier development programmes for new black investors that should extend to even to running the dealership as indicated by Black Dealer 1

“I actually worked as a salesperson for Dealerxx for a year and then I moved to Groupxx at the time for two years and then came back to Dealerxx.” Whited Dealer 2

Experience in the automotive industry is a recurring theme in the results and an important aspect for OEMs, and the same requirements are in place for black dealership owners. Black people have only recently started being appointed n managerial positions in dealerships. As the results showed that BBBEE has been effective in increasing the number of black managers in dealerships and at OEMs. The question then becomes where the OEMs expect these experienced investors to come from if they don’t have any interventions to incubate the experience.

One of the dealer’s mentioned that their growth in number of franchised has been a result of changes in the OEMs dealer network, and the OEMs gave them opportunities without applying for them.

“So OEMxx had 2 branches, and they just ran the numbers on which dealership was doing better and offered X to us. And the owner of the other dealer was quite happy, as long as I took over the parts. I think it cost me just R300,000. I started having to get the floor plans and everything in place afterwards, but it was also really lucky, because we had the empty premises.” White Dealer 1

They also leveraged relationships they had with other dealers within the network and contacts at the OEM to add to portfolio of franchises.

“Then for a lot of them, we got through connections at OEMs, XXX, told me about OEMyy. So, we got OEMyy, and that's how he passed the information on to XYX, and to obviously, YYY. And then XYX passed information on about our latest acquired brand, OEMzz.” White Dealer 1

The OEM stringent application process is now in place but the result show that in previous years, dealerships could be acquired easily through contacts and recommendations from fellow dealers, creating the monopoly that exists today and excluding those without the necessary social capital, and this would be mostly

aspiring black dealers. One black dealer, the outlier described earlier can be said to have benefitted from this practice.

But at the same time one of the white dealer suggests the OEMs keep the network exclusive:

“What OEMs should continue to do well is to ensure that, and we've seen it in some of the smaller OEMs, and some of the startups have been going back a few years, where OEMs just handed out franchises to anybody. I think that has changed. What they need to continue to do well is to ensure that they are giving franchises to the right people that are able to grow with their business and build a sustainable network.”

However black investor cannot start out big and will have to be part of the startups until they develop.

5.4.3.1 Supplier Selection

What are the barriers of entry for black dealers in the selection processes of automotive industry?

Table 22: Supplier Selection White Dealer Feedback

Question	Participant	Quotations	Category	Theme: Inhibitors	Opportunities
Supplier selection					
What was the application process like for each of the franchises?	WD 1	The process was tedious and required business plans, financial forecasts, and compliance documentation.	Franchise Application & Approval Process	Application processes are generally tedious and vary by OEM.	
	WD 2	The application process is tedious and focuses on financial viability.While application processes differed, OEMs maintained consistent baseline requirements. Required documents and criteria followed a structured approach across brands. Highlights the need for aspiring dealers to understand and prepare for OEM expectations.	Application Process	Application processes are generally tedious and vary by OEM.	
	WD 3	Application process used to be shorter; now takes up to a year.	Application Process	Longer Approval Timelines in Modern Applications	
What should OEMs improve in terms of support and application processes?	WD 1	OEMs should simplify application processes and offer more meaningful assistance.Reduce Bureaucracy/	OEM Improvements	OEMs should simplify processes and increase financial support for independents.	
	WD 2	OEMs should simplify business models and reduce facility-focused requirements.	OEM Improvements		Varied Corporate Identity (CI) Contributions
	WD 3	Assistance has generally been relatively limited. In some cases, there has been input and advice in respect of business plans, limited delayed payment terms on certain models	OEM Improvements	Limited Assistance & Support Measures	
What were the terms/conditions of the approval?	WD 1	Approval terms and conditions differ between OEMs. Some OEMs prioritize long-term community presence, which may create barriers. The lack of transparency makes it difficult for applicants to navigate the process. Cultural differences between OEMs (German, Chinese, French, Japanese) contribute to inconsistent requirements.	Franchise Application & Approval Process	The lack of transparency makes it difficult for applicants to navigate the process.	
	WD 2	OEMs prioritize facility requirements over sales capability, which some dealers see as misguided. CI (Corporate Identity) investments are mandatory, with some OEMs offering partial financial support (ranging from 50% to 80% on certain elements). Floor plans and facility size play a significant role in approval, adding to startup costs.	Facility Investment as a Major Approval Factor	OEMs prioritize facility requirements over sales capability,	
	WD 3	Operational & Facility Standards – Maintaining premises, tools, and IT systems Performance Metrics – Sales mix, customer satisfaction, and complaint resolution Compliance & Brand Alignment – Staffing, training, marketing, and BBBEE targets Exclusivity Requirements – Restrictions on dealing with competing brands	Facility Investment as a Major Approval Factor		Common Approval Criteria for Dealership Ownership
What assistance have you received from the OEM?	WD 1	Minimal support from OEMs; received some marketing funds but no substantial help.	OEM Support & Assistance	OEM assistance is minimal and inconsistent across participants.	
	WD 2	OEMs contribute to some infrastructure costs but no direct financial assistance.	OEM Support	Limited Financial Assistance Beyond Infrastructure Support	
	WD 3	OEM support is minimal, with occasional marketing and signage help.	OEM Support	Limited OEM Involvement Beyond Marketing & Signage	
Has the OEM asked you for feedback regarding what they can do better?	WD 1	, you'll get a survey to say, we're going to survey,But I think the truth of the matter is, half the time I don't even partake in them because at the end of it, what am I going to achieve? The answer is just going to be no. The answer is just going to be no.		Perceived Ineffectiveness of OEM Feedback Mechanisms	
	WD 2	to be honest, not really. A lot of the OEMs today, and you will know, they have their own rigid position, and to be honest, no, they don't, because I think they are also governed from a foreign country where things are likely different to what happens in this country.		Limited Feedback Channels and flexibility with Foreign-owned OEMs	
	WD 3	So there's definitely very good engagements and I must say it's a good"	OEM-Dealer Collaboration		Positive Engagement Between OEMs and Dealerships

Application process generally tedious

The white dealers mostly said the dealer application process with the OEM is long and tedious and not standardised:

"Each OEM is different, generally quite tedious in terms of application.
It can be a bit complicated, but they really do mainly around financial viability." White Dealer 2

"OEMs should develop a degree of flexibility in order to take account of different geographic areas in terms of issues such as dealer site and facility size."
White Dealer 3

If this is the case for existing dealers who have been in the motor industry, it is bound to be more difficult for new black dealership owners.

Limited Assistance and Support Measures

The terms and conditions of the application are similar to some the issues raised by the black dealers, around issues to do with the requirement for big premises and the floorplans required:

"But I think in terms of support, especially over the last, lengthy period of time, so the OEMs need to still have a simplified business model.
I think that's quite apparent everyone has an agenda which we understand, but if you look at certain business models, I think they're exceptionally complicated and they can be financially a burden on dealerships in terms of what an OEM may expect in terms of stock holding, CI, floorplan et cetera, et cetera." White Dealer 2

A complicated business model denoted increased working capital for both the white and black dealers, but most black dealers often have to borrow it.

Considering that these white dealers did not have to repay capital loans to own their businesses, they still required assistance from the financial assistance from the OEM

Ineffectiveness of feedback mechanisms

Unlike the black dealers that unanimously said no feedback was requested by the OEMs, the white dealers' results show feedback mechanisms are in place for them.

One of the dealers felt that giving feedback would be pointless as the answer would be negative:
"…you'll get a survey to say, we're going to survey. But I think the truth of the matter is, half the time I don't even partake in them because at the end of it, what am I going to achieve? The answer is just going to be no." White Dealer 1

One dealer said even when feedback was given, the foreign based OEM head office would make the final decision:

"To be honest, not really. A lot of the OEMs today, and you will know, they have their own rigid position, and to be honest, no, they don't, because I think they are also governed from a foreign country where things are likely different to what happens in this country" White Dealer 2

5.4.3.3 Supplier Chain Development Programmes White Dealer Feedback

Do the dealer OEM supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?"

Table 23: Supplier chain diversity programmes White Dealer Feedback

Question	Participant	Quotations	Category	Theme: Inhibitors	Opportunities
Supply chain diversity programmes					
What assistance have you received from the OEM?	WD1	OEMs contribute to some infrastructure costs but no direct financial assistance.	OEM Support	nfrastructure Contributions vs. Financial Assistance	
	WD2	Most OEMs will contribute towards CI but mainly external and some portions of internal and it varies in contribution from 30 up to right up to 75 or so percent.	OEM Support		OEMs contribute primarily to external CI elements
	WD3	Limited Financial Support for New Dealers/Previously, some capital support was available, but repayment was required. Most financial assistance is highly limited, with business plans being a key requirement. Some OEMs offer delayed payment terms on specific models to ease cash flow. Marketing assistance is available, but dealers often need to invest upfront to claim reimbursements.	OEM Support	Limited Financial Support for NewDealers	
Do you consider yourself successful? Why or why not?	WD1	I consider myself successful due to passion and long-term dedication.	Success Evaluation		Passion & Long-Term Commitment as Success Drivers
	WD2	Success attributed to short-term planning and operational efficiency.	Success Evaluation		Strategic Planning & Operational Efficiency Drive Success
	WD3	Success due to relevance of products and strong brand positioning.	Success Evaluation		roduct Relevance & Strong Brand Positioning as Key Success Factors
Do you have a succession or exit plan?	WD1	We are considering succession plans but lack corporate-level policies.	Succession Planning	Succession Planning in Progress, but No Formal Policies	
	WD2	Succession plans are unclear due to ongoing business transitions.	Succession Planning	Succession planning is often informal but necessary for sustainability.	
	WD3	Succession plans focus on organic growth and internal development.	Succession Planning		Structured Succession and Exit Strategies in Place

The dealer mentioned that they received support in the form of payment toward corporate identity for the showroom. When asked what support they need y mentioned OEM product portfolio

"OEM's need to provide relevant products which are in line with market needs, at prices which are competitive and on terms which assist take up of its products in the market." White Dealer 3

The other a simplified business model”

“But I think in terms of support, especially over the last, you know, lengthy period of time, so the OEMs need to still have a simplified business model.” White Dealer 2

The focus for the support they require is not around financial assistance or working capital like their black counterparts.

What also stands out with the responses from the white dealers is that they don’t mention the need for capital to buy the dealerships. This is because for the dealers interviewed in thus research, which represent the majority of white owners of dealers. These are family businesses that have been passed down from generations. All three dealers mentioned the possibility of their children coming into the business after them as an option.

“*I have my youngest daughter who is now doing her B.Com. She's now home. She's going to do online, but at the same time, I'm bringing her in now. So she will work for about four or five hours a day within a dealership”* White Dealer 1

OEMs need to proactively create opportunities in view of these scenarios and the monopolies of the dealer groups, this has been the history of the industry and it will continue until something different gets done.

5.4.3.4 BBBEE White Dealer Feedback

Table 23: BBBEE White Dealer Feedback

Question	Participant	Quotations	Category	Theme: Inhibitors	Opportunities
BBBEE					
Do you think there are enough black-owned franchise dealerships?	WD1	There aren't enough black-owned dealerships; structural barriers persist.	Barriers & Opportunities for Black-Owned Dealerships	Majority of dealers are owned by dealer groups that are BBBEE compliant no room for growth	
	WD2	Insufficient black ownership; structural changes required for entry.	Barriers & Opportunities for Black-Owned Dealerships	Focus should be on black operated and not necesaarily ownership	
	WD3	Few black-owned dealerships; entry requires long-term planning and support.	Barriers & Opportunities for Black-Owned Dealerships	Focus should be on black operated and not necesaarily ownership	
Has BBBEE worked in the automotive retail sector?	WD1	BBBEE has helped promote black employees within dealerships, with structured programs like Volkswagen's YES initiative. Some dealers actively develop talent by identifying potential in junior staff (e.g., cleaners moving into admin and sales roles). Ownership opportunities remain limited, with only a slight improvement in black-owned dealerships.	BBBEE as a Gradual Enabler of Black-Owned Dealerships	BBBEE policies have mixed results, mainly benefiting larger groups.	
	WD2	BBBEE has led to increased employment of previously disadvantaged individuals. Some OEMs require 51% black ownership, benefiting only a small number of individuals. Many dealerships without black ownership must still obtain a BBBEE certificate, incurring costs for compliance. While BBBEE has created opportunities, its ownership impact remains limited and sometimes exclusive.	BBBEE Effectiveness	BBBEE has mixed results; benefits select individuals rather than fostering broad change.	
	WD3	Equity Stake Acquisition – Black entrants gaining ownership through existing dealerships Joint Ventures as a Stepping Stone – Collaborations leading to eventual full ownership Gradual Industry Transformation – BBBEE's long-term potential to expand black ownership	BBBEE Effectiveness		Equity Stake Acquisition – Black entrants gaining ownership through existing dealerships Joint Ventures as a Stepping Stone – Collaborations leading to eventual full ownership
Why do black investors succeed or fail in the automotive sector?	WD1	Lack of industry knowledge and short-term views contribute to failure.	Success/Failure Factors		Operational expertise and long-term vision are critical for success.
	WD2	Lack of expertise and operational knowledge limits success.	Success/Failure Factors		Expertise & Operational Knowledge as Critical Success Factors
	WD3	Entrepreneurship and industry knowledge are keys to success.	Success/Failure Factors		Entrepreneurial Mindset & Industry Knowledge Drive Success
Would you say that you are successful? Why or why not?	WD1	I consider myself successful due to passion and long-term dedication.	Success Evaluation		Passion & Long-Term Commitment as Success Drivers
	WD2	Success attributed to short-term planning and operational efficiency.	Success Evaluation		Strategic Planning & Operational Efficiency Drive Success
	WD3	Success due to relevance of products and strong brand positioning.	Success Evaluation		roduct Relevance & Strong Brand Positioning as Key Success Factors

Barriers and Opportunities for black owned dealerships

They mention the fact that dealer groups are BBBEE compliant and even have black ownership

"Well, your problem is that most of these dealers are in groups. So, it's Group A. They're level one. Group B, I think, are also level one. Group C is also level one. So if you have to go on looking at the BE status of most of these, you take into account the bulk of our dealerships." White Dealer 1

BBBEE The white dealers find BBBEE expensive to comply to and said that it was one major OEM that was insisting on compliance

With regards to black ownership of dealers, all the 3 interviewed confirm the experience is critical to ensure success for black dealers:

"I don't think it's an industry unless you have worked in a dealership and gone through all the different departments and things like that that you could just walk in and buy a dealership. I think it requires hands-on work." White Dealer 1

Expertise and Operational Knowledge

One dealer cannot be just investor but need to get involved in the day to day running of the dealership explained that black investor cannot just be

"You cannot have someone that owns a dealership that knows nothing about motor, and that can just sit back and invest there and take dividend.
It doesn't work, not in our market." White Dealer 2

This dealer has some dealers that have black ownership, but these are individuals that have had the opportunity to get experience in their dealership for many years:

"Yes, we do have some black ownership in some of our operations,
but that individual earned his stripes, he has been in the market for a long time. All of us have been in the market for a minimum of 20 years, and started selling cars, and then working way through to understand business." White Dealer 2

But another dealer said that this was possibly the easiest way to get black investors into the industry

"..situation where black entrants into the motor industry have either purchased equity stakes in existing dealerships or groups or else have entered joint ventures with existing dealerships. This is a point of entry into the industry and can assist in creating black owned dealerships (eg when the black entrants purchase all or most of the equity in a dealership or in a joint venture)." White Dealer 1

He suggested the this a sustainable option to a sustainable way of increasing black dealers.

"To this extent BBBEE has influenced the industry, and in the longer term that effect can lead to there being more black owned franchise dealerships". White Dealer 1

Two of the white dealers brought up the question of the difference between black operated and black owned. Black operated can be a dealer principal with no ownership state or it can be an owner who is operationally involved in the day to day running of the dealer. Black owned can also be an investor in a dealer group as a shareholder but not operationally involved. This presents an opportunity for further study in this area.

From the white dealer perspective, White Dealer one expressed how BBBEE was an inconvenient expense that didn't increase business opportunities in return. They further said only one of the one OEM was insisting on it.

"They're the only OEM that are known to make a full requirement that you have to have a BE status. I mean, the expenditure for being a white-owned company is exorbitant because we can get no shareholding points. So, we have to spend a lot" White Dealer 1

5.4.4 Industry Feedback

5.4.4.1 Diversity and inclusion:

Why is the automotive dealer retail sector not inclusive and diverse?

Table 24: Diversity and Inclusion Industry Expert Feedback

Participant	Quote	Code	Category	Theme Inhibitor	Theme Opportunity
Diversity and Inclusion					
Industry Expert 2	Access to funding is a major barrier for black ownership.	Access to funding	Barriers to Ownership	Challenges in Black Ownership	
Industry Expert 1	Political will is essential to increase black dealerships.	Political will	Barriers to Ownership	Challenges in Black Ownership	
Industry Expert 3	Access to working capital remains a major growth barrier.	Working capital barrier	Barriers to Ownership	Challenges in Black Ownership	
Industry Expert 1	Policies are not adequately enforced, leading to slow transformation.	Policy enforcement issue	Barriers to Transformatio	Challenges in Industry Transformation	
Industry Expert 3	Co-ownership models are becoming common for black ownership.	Co-ownership trend	Ownership Models		Future of Black Dealerships

One of the key messages from the industry bodies was for diversity and inclusion in the industry to create Dealerships that need to represent the buying population of the country.

"I think one of the main areas in motor dealerships is that the dealerships need to reflect the actual what the consumer is out there. When I talk about that, when black consumers, which is your largest buying portion of your consumer body, walk into a dealership, they like to deal with people of the same colour, people that understand them." Industry Expert 2

"Deliberate diversification of wealth as most black owned dealerships qualify for government tenders which therefore enable growth of these dealerships" Industry Expert 1

They confirmed that barriers are high barriers to entry for this transformation to take place at an ownership level, due to capital cost:

“And it's basically due to the extremely high cost of opening a full dealership. You know, as you know, you must probably need a minimum of around R60 million to open a car dealership and with relatively low returns on the investment over many years”. Industry Expert 2

These are in part driven by the current practice by OEMs requirements of capital-intensive showrooms:
“I think maybe from an OEM point of view, maybe the requirement, the facility requirements in South Africa are a bit over the top. The requirements of what you need in a dealership, what the dealership needs to look like”. Industry Expert 1

5.4.4.2 Supplier Selection Industry Expert Feedback

Do the OEM dealer supplier selection processes support diversity and inclusion?

Besides the capital component, the AITF was also established to create market access, this clearly has not worked in automotive retail as the OEMs are still trying to resolve how to give more black investors the opportunity to become dealers:

“The second element I mentioned is access to market, where we facilitate business opportunities and business linkages through the OEMs and the market, etc” Industry Expert 3

Experience is a gap the OEMs have identified in the selection process. One industry expert suggested using the used car sector as a potential talent pool because there have been more black dealers entering that part of retail and they have built up experience.
“However, in the used car space, where the costs are less, we find that a lot more black owned businesses are slowly emerging and definitely they are slowly getting into it and then scaling up to the stage where they can start approaching the OEMs to try and get investment. And at least they've got a track record to take on a dealership, a full dealership.” Industry Expert 2

5.4.4.3 Supply Chain Diversity Programmes Industry Expert Feedback

Do the OEM dealer supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?"

Participant	Quote	Code	Category	Theme Inhibitor	Theme Opportunity
Supply Chain Diversity Programmes					
Industry Expert 2	Dealer development programs are limited and need more support.	Limited programs	Development Program Gaps	Need for Stronger Dealer Development	
Industry Expert 3	Skills development and on-the-job training are critical for success.	Skills development	Capacity Building	Need for Stronger Dealer Development	

One of the industry expert said that they are aware that focus has been place more on upstream supply chain development versus downstream

"While most of the work done has been done on the upstream value chain, downstream value chain focus has been grossly neglected, hence clear lack of transformation in the dealer space is glaring. There are few OEM deliberate about this, namely ISUZU and Hyundai (importer brand). The rest of them are nowhere with transformation." Industry expert 1

The industry experts are aware of some supplier development programmes, but believes these can only be effective if there are the right funding mechanisms:

"*If my memory serves me correct, yes, there are several OEMs that have these in place. I can't remember exactly which are the OEMs, but the issues, again, that are the sort of holding back the thing is the access, again, to the levels of capital finance and that to open a dealership. So although the programs are there, when it gets to that final hurdle, trying to get funding to open the dealership is the main stumbling block." Industry Expert 3*

They suggest that the OEMs focus on the talent pool within the dealerships, possibly dealer principals:

"I think you've got to start the people within, you know, you can't just say to them, right, here's capital, here's a dealership, go run it. You know, a lot of people that run very successful dealerships have been on the floor, they've traded, they understand the trading environment in the dealership." Industry Expert 2

5.4.4.4 BBBEE Industry Expert Feedback

Participant	Quote	Code	Category	Theme Inhibitor	Theme Opportunity
BBBEE					
Industry Expert 2	Triple BEE has helped from a social upliftment point of view.	Social upliftment	Benefits of B-BBEE		Social upliftment
Industry Expert 1	Access to opportunities allowing black owners to actively participate in the economy.	Access to opportunities	Benefits of B-BBEE		Access to opportunities

Overall, the experts believe the current policies are adequate to drive the change required:

"Okay, all right. So, are the policies that are in place adequate to transform our industry? Yeah, I mean this one is a bit of a tough one. I think the policies that are in place are certainly critical for continued existence of the industry being prevalent in South Africa." Industry Expert 3

The success of the diversity and inclusion in the automotive industry then relies on the responsible leadership of OEMs to make sure they drive change not just as a tick box exercise but bring about social change and close the income inequality gap.

If the leadership of the OEMs do not intentionally make efforts to transform the dealer channel, it may take long to transform as already they meet the BBBE requirements to earn the incentive:

“On one hand, they do need to take it seriously because of compliance requirements. You may be aware that a lot of the OEMs get production incentives for operating in the country, and BEE is quite a key element of them being able to access those incentives.” Industry Expert 3

No industry body currently supervising the OEM with regards to how the become compliant with BBBEE, the industry expert say they can merely encourage the OEM not to sideline other areas of the value chain

CHAPTER 6 DISCUSSION OF RESULTS

6.1 Introduction

This chapter consolidates the feedback from all the stakeholders and analysed them based on the literature review what the answers were to the research questions. The chapter is therefore based on the 4 research questions.

6.2 Diversity and Inclusion

Why is the automotive retail sector not inclusive and diverse?

The first step in creating inclusive and diverse supply chain is offer opportunities or market access. The OEMs were asked the steps they have taken in this regards. The identified inhibitors to market access are discussed below.

Diversity and Ownership Representations

Feedback from the OEMs was proof that they have not adequately increased the number of black dealers, with most of them having an average of less than 5 when some of them had dealer networks of over 100 outlets. Despite that the OEMs said they were BBBEE compliant.

Group Dominance/ Family Business as a Pathway to Ownership

Firstly, diversity and inclusion are defined as an organisation that is owned by previously disadvantaged or underrepresented individual who has a share of at least 51% (Bateman et al., 2020). Results showed that one of the limiting growth factors has been monopoly by dealer groups and generations of family businesses. One OEM Representative said 70% of their dealer network belonged to dealer groups. Research shows that in general there has been “opportunity hoarding by white-dominant enterprises” (Van De Rheede, 2022). The dealer groups in the

automotive sector have been considered as partly black owned and awarded many OEM franchises and have contributed to the monopoly of dealerships in the industry. Feedback from one OEM Representative brought to light the 2 mechanism of black ownership. The first is for a black investor who buys into or forms an independent dealer, for which the OEMs have started requiring experience and a track record, and the other where, a black individual buys into a corporate group, in which instance industry experience is not relevant. will be operationally involved in the business.

Deviation from set rules – willing buyer willing sellers

Though the OEMs had stated that black ownership was a requirement for any change of ownership. The results showed that OEMs often make exceptions to the black ownership rules they have set a criteria when there is a valid business reason for doing so. One such example that has limited the growth of black was said to be when the OEM follows willing buyer willing seller in instances where the seller insisted on selling to a nonblack buyer. OEMs said they have got very little choice but to let these transactions go through.

Direct invitations streamline entry for experienced professionals

The research showed results of number of black and white dealers that had been invited to apply for dealerships by the OEMs. Whilst this may increase the number of black dealers, one dealer did not like the inconsistency of this process and the fact that you are not always sure of the outcome. Following on from the example of the black dealer who stood out as the outlier under inclusion and diversity, the results for the selection process infer a need for social capital for black dealers to get opportunities based on the applicant's business network. Black dealers 2 and 3 did not have go through a screening process but were instead offered opportunities to be owners of dealerships.

Systematic Barriers

The results showed a black investor who said he was one of many that has raised their hand for a franchise, arranged his own funding but has yet been successful in acquiring a franchise. Which contradict what the OEMs said in the interviews that

they are building up a database of potential investors. The potential black dealer went on to say that this database contains only few people, and these are the only black dealers that first get approached for any change of ownership opportunities. This confirms literature that stated, Black entrepreneurs have also experienced fundamental obstacles like inadequate financing and qualifying for franchising openings, the policies in the industry do not sufficiently assist with these concerns resulting in stunted growth in inclusion and diversity (Goga & Avenyo, 2022)

Challenges in Securing OEM Support

OEMs do not always support black dealers when they try and create opportunities for themselves. Literature shows that in order to drive diversity and inclusion focus is on building an environment conducive to diversity (Senay Caylan & Kagan Cenk Mızrak, 2024). Results showed a black dealers had been granted one of his current franchise due to having had previous OEMs, however he faced the challenge of convincing the OEMs that the market he wanted to operate in was going to be viable due to what he believes was OEM bias against setting up dealerships in black townships. Another black dealer failed to secure a franchise with the OEM despite having OEM experience and had secured funding through a commercial bank, the OEM's reason was that the area he selected was not viable at the time for a standalone dealership and the existing white owned dealership in a distance from the area was adequate to service it, the OEM later decided to open a point in that area and the existing white dealer was the one given the opportunity to open a dealership in the area.

Challenges of Scaling Up Ownership (Moving from partial to full owner ship)

The results showed a white dealer and a black dealer that had bought equity stakes in existing dealerships, with the option to pay back the capital using their dividend. The structure of the dealer for one of the black dealers was not viable and he had to exit. The OEM failed to get to the bottom of why the black dealer was existing looking and opportunity to retain black ownership.

Lack of Engagement

When asked if the OEMs ask for feedback the black dealers indicated that no feedback had been requested. In order for the OEMs to increase black dealership is it critical need to understand the intricacies that are limiting growth and then take focused action (Kinney et al., 2024). The OEMs need to get feedback from black dealers to understand their experiences of the black dealers show the struggles for market access for the black investors

Political Will

The industry experts believe that there is a lack of political will on the part of the OEMs to really enforce change in the demography of their dealer network. Literature showed that those organisations that have been successful in diversity and inclusion have done so from a corporate social responsibility view. The issue of increasing black ownership and the discourse of BBBEE in the automotive retail sector is classified under diversity and inclusion in supply chain, this can be viewed from the perspective of both corporate social investment and business ethics. (Porcena et al., 2020) This is proof that the policy itself is not adequate to enforce the change required to transform the dealer channel.

Racial profiling

Results from OEMs show that once a black dealer fails, internal stakeholders hold onto the example, and it get referred to all the time that a black application is presented. Research expounds that racial segregation can negatively impact supplier choices, emphasizing the need for equal opportunity laws (Aral & Van Wassenhove, 2024) another example from the results shows one of the dealers that wanted to open a dealership in the township and had to go to great length to convince the OEMs of the viability of the area. The leadership within the OEMs should ensure that all their teams understanding the strategic relevance for the need for transformation

6.3 Supplier Selection

What are the barriers of entry for black dealers in the selection processes of automotive industry?

Research shows that irrespective of barriers to entry in business being high in general, they are even higher for black entrepreneurs (Andreoni et al., 2021)
The results proved that barriers of entry are definitely higher in general for black dealership owners. Whilst the default answer would be capital, the research showed that it's not just capital.

Access to Capital

Research says, compared to black ownership in other areas in the retail sector, the new motor retail sector for new cars remains untransformed (Venter, 2023)
The results showed that the black OEMs are the ones that have the biggest challenge with regards to accessing capital. Results from all the dealers showed that the reason for high capital requirement was often due to the rigorous OEM requirements especially for massive dealer premises and the corporate identity.

Accessing capital should be seamless for black dealers as the AITF was intended to accelerate the development of black entrepreneurs including black dealership owners (Mashilo & Moothilal). Based on the results the general difficulties with capital range from:

1. Lack of awareness of the existence of the AITF
2. unfavourable lending conditions – deposit being required
3. lack of capacity to fund working capital
4. tedious application process

Important to note that dealers interviewed seemed to have found several funding mechanisms to buy the dealerships but need assistance mostly with working capital. The dealers that had been given equity shares said they would need to pay for them over a period of time. Research shows that even in the early days of its establishment stakeholders were concerned by the lack of clarity and consistency of policies around AITF which they believed would impact effectiveness (Bronkhorst et al., 2013).

The black dealers lack of working capital made them fail to compete fairly against big dealer groups. Dealer said they often didn't have the security to get adequate floorplans. The question is what OEM banks can do to reduce the collateral required for the black dealers to access enough floorplan. One dealer had gotten around it by securing a letter of comfort from the OEM. Whilst the lack of capital maybe the default answer, other sectors that have the same historical inequality challenges and are capital intensive have made much better progress (Venter, 2023). This should not be a challenge for the 7 OEMs, as they have established the AITF, but it has not produced enough results in black dealer ownership.

Self-Funding

One of the black dealers who is self-funded mentioned that if he had not told the OEM that he was going to be self-funded he would not have been approved for the franchise. This means that black dealers that approach the OEMs and indicate that they will be approaching the bank or the AITF stand a chance of not being selected. The OEMs see this as a risk and in general the white dealers that apply for franchise self-fund and are therefore preferred. Processes should be in place within the OEMs to assist black dealers procure the necessary funding from the AITF without being prejudiced against.

Industry Experience Requirement

The black dealers that have been fortunate to get market access to owning dealerships all have previous experience in the automotive industry, but these are part of a small pool as only in recent years has the number of black dealer principals and sales managers been on the increase to create a pool of experience. This is in comparison to their white counterparts that come from family businesses. Results from the dealers and Industry experts said that the majority of automotive experience currently sits with black people that have made into management in the dealership and OEMs. An industry expert also stated that there is an increasing number of black owners of used car dealers. So, the OEMs say they are looking for experience and it is readily available. The example of the outlier black investor who

worked for an OEM was given the opportunity to own a dealership. On the other hand, results showed an example of an aspiring black dealer with long industry experience, but systemic barriers have prevented him from dealership ownership.

These results showed that there is currently a mismatch in the type of investor that the OEMs are looking for and the potential investors in the market. The ones with experience recorded in the results require the OEMs to make capital investments towards, like the example of Black Dealer number 2 whose OEM gave a letter of comfort.

OEM Group preference over Independent

The results from both the white and black dealers highlight the OEMs preference for groups when opportunities become available and for general trading increasing the earning when the opportunities could be given to expand independent dealers or new selecting new black investors. To achieve increase the economic participation and income equality for the previously disadvantaged population within the industry (Mashilo & Moothilal, 2022). One of the black dealers mentioned that some groups often do not perform well for the brand. Research highlights that it is necessary to include the diversity of suppliers in a company's business goals as it gives the company an opportunity to gain a competitive edge over its rivals (Senay Caylan & Kagan Cenk Mızrak, 2024). Besides the brands performance, this presence overconcentration risk to the OEMs.

Do the OEM supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act?

OEM Supply chain budgets

According to theory organisation need to build the capability to accept and reward those of a diverse background (Senay Caylan & Kagan Cenk Mızrak, 2024), the OEM showed in the results the amount of money they set aside for supplier

developments projects, but these mostly did not include downstream supply chain. Research shows that supply chain diversity programmes particularly in the automotive industry has been done focusing mainly on the upstream supply chain of the automotive sector, including diversity and inclusion research (Mashilo & Moothilal, 2022b)

And yet transformation of the economy is required for economy growth, this can be achieved by South Africa channelling investment and economic activities from capital intensive upstream to downstream activities which have the probability to grow jobs and throughput (Andreoni et al., 2021). All the OEMs mentioned that they did not have any supply development plan for the dealer channel. The results show that the training the OEMs offer is for employees within the dealer network.

One of the OEMs said they have a course they run for their enterprise development suppliers that upskills them on business management. This upskilling is also required upstream. More importantly for potential dealers before they get appointed.

Results show the need for skills transfer at on boarding as well as on an ongoing basis for black dealers. To address their historical disadvantages which result in insufficient opportunities, a deficiency in management and industry skills as well as challenges of keeping up with the require quality and capacity (Horn, 2014).

It is important the OEM take ownership of the pool of potential black dealers and development them with the skills they will require for running a dealership.

Working Capital/Stock Assistance

The results showed that even after black dealers were able to buy the dealership's, working capital was a challenge and it inhibited the struggles of working capital. Research confirms that inadequate access to finance which restricts them from being competitive, their historical disadvantages which result in insufficient opportunities (Horn, 2014), The dealers said this could be in the form of soft loans and delayed payments on stock.

Approval terms on AITF

Black dealers that had approached the AITF said the application process was tedious and was conditional on a deposit. The AITF said that the assist dealers

based on a motivation from the OEM. OEMs should proactively find out capital requirement from existing black dealers and assist with the necessary motivations. Even the IATF has requested black dealership owners for deposits of up to 15%.

Dealer Mentorship Programmes

One dealer who managed to qualify for a dealership was forced to partner with a white investor until he had proved himself. None of the white dealers nor did any of the OEMs mention this as common practice when they were appointed as dealers. Though tis was not out of choice this particular dealer learnt a lot from the experienced dealer and eventually bought him out. Initiatives like this should be adopted by OEMS

Conclusion

Historically the automotive sector was diverse and inclusive. This success was achieved by a carrot and stick approach, the carrot was the domestic protection against global competition and the stick was the local supplier requirements or pay hefty import taxes (Barnes, 2000).

Diversity in supply chain are initiatives that companies use to meet the Environmental, Social and Governance obligations and strategies (Van Hoek et al., 2024) When asked if the OEMs had supplier development programmes targeting black dealers, the interviewed dealers all of them said they didn't.

This proves the research done on Supply chain diversity programmes particularly in the automotive industry has been done focusing mainly on the upstream supply chain of the automotive sector, including diversity and inclusion research (Mashilo & Moothilal, 2022b)

OEMS clearly do not have structured supply chain development programmes in place to create a pipeline of black dealership owners. Other researchers have criticised the effectiveness in the supply chain diversity due to many organisations not having the resources to systematically implement programmes, leading to ad hoc projects as well has the inability to measure their qualitative impact (Cooper, 2024)

They instead want off the shelf ready to plug and play investors that come into the industry and are expected to perform well. The industry bodies highlighted the social impact that has come about since the introduction of BBBEE. Diversity in supplier engagement promotes inclusion and diversity in supply chain strategies which in turn drives progress in the economy and social growth (Harshila Gujar, 2024). The results have shown how the number of sales managers and dealer principals has increased. Supplier development of black dealers will have increased benefits as black dealers are able to create employment and contribute to the fiscus.

CHAPTER 7 CONCLUSION AND RECOMMENDATIONS

1 *What did I study and why does this matter?*

This paper explores diversity and inclusion and supply chain diversity programmes in the context of the appointment of black entrepreneurs in the retailing of franchise new vehicles sector, with franchises with the multination (OEMs) in South Africa. Despite the low levels of black ownership in the franchised automotive retail sector, automotive OEMs in South Africa show good BBBEE levels scores. The BBBEE policy was set to bring about equality amongst races in the economy of South Africa (Vilakazi, 2021). In general, the BBBEE policy in South Africa has not successfully given the majority of black people access to the economy (Mbandlwa,2020). The system has only benefited a small number of people, mainly the elite, while the majority of black people continue to live in the same economic conditions as during the apartheid era (Mbandlwa,2020). Since the inception of the BBBEE act, the road to transformation in the automotive retail franchises is not robust enough. Participation of black entrepreneurs in the ownership of new automotive franchise dealers is poor, considering that it is now 30 years after the democracy of South Africa (Venter, 2023). This paper sought to examine to what extent automotive OEMs in South Africa have implemented the BBBEE act and supplier development programmes in the appointment of black franchise dealers.

What was the research context and why does it matter?

In investigating the supplier development programmes in the sector, this research explored the support available to the few 100% black franchise dealers with regards to aspects like capacity building, mentorship programmes and access to finance. A percentage of current black dealers believe that additional support after being successful in the selection process and being awarded a dealership is critical in ensuring sustainable good performance. Due to the motor industry being predominantly white owned in the past, black dealership owners that manage to overcome the high barriers of entry are often inexperienced in automotive industry and rely on outsourced skill or the recruitment of experienced management teams to run the dealership which is costly and often leads to power performance and unsatisfactory OEM key performance indicators.

The paper also investigated if automotive OEMs have Supply chain diversity

programmes to increase diversity and inclusion of black entrepreneurs in the industry. It explored to what extend black entrepreneurs have participated in these programmes. For those automotive OEMs that are of the view that they have put the necessary supplier development programme mechanisms in place, the exploratory interview questioned them if they have achieved levels of success in increasing the number of black retail dealers.

W*hat did we already know/not know?*

The purpose of the research was to answer the question about why, despite regulatory requirements, efforts by the OEMs, industry bodies and the interest by black investors, there are still few black owned franchise dealers

What specific questions did I answer?

The paper answered the following research questions.

1. Why: The automotive retail sector is not inclusive and diverse

Research shows that purpose organisations are increasing commitment and equity pledges to diversify their supply chain in the area of race which has thus far had limited success, suggesting that organisations need to understand the intricacies that are limiting growth and then take focused action (Kinney et al., 2024).

2.Do the OEM dealer supplier selection processes support diversity and inclusion?

Critical to achieving supplier diversity is the selection process. Research illustrates that irrespective of barriers to entry in business being high in general, they are even higher for black entrepreneurs (Andreoni et al., 2021).

3.Do the OEM dealer supply chain diversity programmes for the automotive retail sector contribute towards the transformation intended by the black economic empowerment act? Supplier development is defined as any initiative the organisation implements to elevate the standards of deliverables of its dealers (Krause et al., 2006). An effective supply chain programme constitutes shared knowhow and tangible assets commitment. Ways of measuring its effectiveness include for the supplier, targets with performance management, and training with evaluation (Krause et al., 2006).

4. Why has the BBBEE policy has not been effective in improving black dealers appointed by the OEMs in the automotive industry?

Over the years. there has been a shift in focus in the automotive manufacturing industry in South Africa, from a narrow to a comprehensive BBBEE framework,

which aims to increase the economic participation and income equality for the previously disadvantaged population within the industry (Mashilo & Moothilal, 2022). One such initiate is the AITF which was set to strategical enhance the sector's competitiveness and aims to promote Black Economic empowerment by giving access to market, funding and capacity development (AITF: Auto Fund, n.d.)

5 How did I answer these questions – i.e., research methodology?

The investigation of the lack of diversity and inclusion of ownership of franchise dealerships required discovering new insights from all the key stakeholders to gain new perspectives, which required exploration of the individual stories without predetermined hypotheses. Exploratory research tries to basically probe using investigative questions without aiming to offer standard solutions to existing topics. This type of study is generally undertaken to examine a matter that has not yet evidently been identified. Exploratory research is performed to understand the problem's disposition, not to give concluding facts, but to gain a beneficial intelligence on the matter (Dudovskiy, 2023). Exploratory research was apt for this paper as, at face value, there are policies in place, a transformation fund in place to support inclusion of black dealers in the automotive retail sector as owners of dealerships, but the industry is yet to make a marked improvement in this area. The answers given during the interviews by the respondents were not timed or restricted in length and allowed the respondents to expound on aspect that they felt would contribute to the topic, which brought in varied perspectives particularly around the questions on diversity and inclusion and support from OEMs.

6 What did I find, and how did I interpret what I found?

Research shows that vast conclusions are drawn using an approach to reasoning called inductive inferencing, which is based on specific evidence. When using inductive interpreting, a methodical inquiry is conducted initially, and a framework is constructed based on the study's findings. This has been performed on several reviews particularly in the literature on entrepreneurship (Hall et al., 2022). The research process for this paper started off with semi structured interviews with diverse stakeholders, including the entrepreneurs in the automotive retail sector, to collect data which was then taken through detailed coding and thematic analysis. The idea was to unearth unexpected patterns and bring awareness, which contributed to a deeper understanding of the phenomena (Nur et al., 2018). This

research focused on qualitative research data analysis to understand the non-numeric data collected and got an understanding of the meaning and themes in the primary data collected to arrive at some insights.
The analysis started off by research transcribing all the voice recorded interviews into scripts. Coding is a preparation of the information collected from audio or visual data into text which can be used for analysis (Khan, 2023). The scripts were then saved under pseudo names and then the researcher checked all script for correctness. The researcher then grouped the interviews per interview group i.e. Black dealers, White dealers, Industry experts and OEMs. This research utilised the inductive coding approach, which means generating codes directly from the data and letting the themes to develop spontaneously (Naudé, 2024). Thematic coding was then utilised which entails classifying the data into fragments that reveal a shared theme, which helped organise the non-numerical data collected (Mortelmans, 2024).

The responses to the question were first categorised into key themes per group of respondents, that is, the results showed the themes and supportive quotes from the black dealers, white dealers, industry experts and OEMs separately first. An approach for doing qualitative research is thematic analysis, which makes use of structured qualitative data from focus groups to find patterns and produce themes created by the researcher (Lochmiller, 2021). The primary emphasis of the approach is to identify patterns, with these patterns then being interpreted as themes by the researcher (Lochmiller, 2021). As stated in the semi structured interview the questions were drawn from the research question and the contracts. The results of both black and white dealers were them be combined, and finally all the stakeholders. The analysis then went into a write up which provided a comparison, contrast and conclusion to develop a comprehensive understanding of the phenomena.

7 How does this add to the current scholarly debate, i.e., relevance/contributions?

The automotive retail sector, like most South African industries was predominantly white owned before 1994, dominated mostly by family businesses which then sold to major dealer groups. Research shows that in general there has been "opportunity hoarding by white-dominant enterprises" (Van De Rheede, 2022). Diversity in the supply chain has become a priority in the strategic planning of organisations which aims to increase competitiveness and social and income equality (Cooper, 2024) This research aimed to assist automotive OEMs that wish to study diversity and inclusion through supplier development of the previously disadvantaged black dealership owners. History shows that when OEMs expanded their dealer network or when existing dealers became available for sale, these were offered and bought by the few players that dominate the industry (Moshikaro-Amani, 2023). There has been limited academic research on the BBBEE in the automotive industry, other that the reaction of the policy by the stakeholders in the sector(Mashilo & Moothilal, 2022).The paper wishes to add to the body of knowledge on history of the BBBEE act and why its implementation by automotive manufacturers through supplier development programmes has not resulted in the inclusion and diversification of retail dealer networks through black ownership. The qualitative research included exploration on selection criteria and shed some light on the experiences of both black and white automotive dealers, the role of BBBEE and how black entrepreneurs that are 100% owners of new car dealerships have utilized and developed from these programmes, thus far the majority of the diversity and inclusion research has focused on the upstream supply chain of the automotive industry. The paper contributes to literature on the nature and the implementation of the downstream OEM programmes, levels of support and entrepreneurship education to existing black and white entrepreneurs from the manufacturers to discover their effective or non-effectiveness in the transformation of the automotive retail industry sector. Interviewing the OEMs, representatives of industry bodies and current black entrepreneurs who are owners of dealerships explored the existence and effectiveness of the programmes in advancing ownership through inclusion and diversity automotive new car retail sector.
The paper highlighted the initiatives from all stakeholders, the development areas and lastly makes a contribution to the research on steps required to advance the

inclusion of black entrepreneurs in the retail automotive sector.

8. What is the practical/business relevance of the study findings?

The automotive OEMs in South Africa operate through traditional franchise dealers, with a country principal franchisee that appoints a network retail dealer on a franchising basis (Jacobsberg & Harrison, 2019). This appointment of dealers is also subject to BBBEE, which seeks to address the inequalities caused by the apartheid era (Jacobsberg & Harrison, 2019) The downstream supply chain of automotive OEMs in South Africa seem to favour nonblack suppliers, presenting OEMs as not diverse and inclusive in the appointment of automotive retail sales dealerships. This despite the fact that since the dawn of democracy in South Africa, OEMs have been expanding their respective dealer networks and there have been investment opportunities as existing new car franchise retail dealerships have been available to sell. The current demography of automotive dealers in South Africa brings into question the selection processes, the qualification criteria when OEMs appoint franchise dealers and the barriers to entry which this paper sought to investigate. Creating the need to understand the BBBEE or supplier development programmes in place in the sector to include 100% black owners and create healthy rivalry and competition in the sector (Vilakazi & Bosiu, 2021) and meet the SAAM 2025 goal of 25% black ownership.

Despite the low levels of black ownership in the franchised automotive retail sector, automotive OEMs in South Africa show good BBBEE levels scores. The BBBEE policy was set to bring about equality amongst races in the economy of South Africa (Vilakazi, 2021). In general, the BBBEE policy in South Africa has not successfully given the majority of black people access to the economy (Mbandlwa,2020). The system has only benefited a small number of people, mainly the elite, while the majority of black people continue to live in the same economic conditions as during the apartheid era (Mbandlwa,2020). Since the inception of the BBBEE act, the road to transformation in the automotive retail franchises is not robust enough. Participation of black entrepreneurs in the ownership of new automotive franchise dealers is poor, considering that it is now 30 years after the democracy of South Africa (Venter, 2023). This paper sought to examine to what extent automotive

OEMs in South Africa have implemented the BBBEE act and supplier development programmes in the appointment of black franchise dealers.

In investigating the supplier development programmes in the sector, this research explored the support available to the few 100% black franchise dealers with regards to aspects like capacity building, mentorship programmes and access to finance. A percentage of current black dealers believe that additional support after being successful in the selection process and being awarded a dealership is critical in ensuring sustainable good performance. Due to the motor industry being predominantly white owned in the past, black dealership owners that manage to overcome the high barriers of entry are often inexperienced in automotive industry and rely on outsourced skill or the recruitment of experienced management teams to run the dealership which is costly and often leads to power performance and unsatisfactory OEM key performance indicators.

The paper also investigated if automotive OEMs have Supply chain diversity programmes to increase diversity and inclusion of black entrepreneurs in the industry. It explored to what extend black entrepreneurs have participated in these programmes. For those automotive OEMs that are of the view that they have put the necessary supplier development programme mechanisms in place, the exploratory interview questioned them if they have achieved levels of success in increasing the number of black retail dealers.

Based on initial desktop research, the major automotive OEMs, especially those that assemble vehicles locally have good BBBEE scores; Isuzu South Africa is Level 1, BMW is level 4, Volkswagen South Africa is level 3. This research wanted to analyze the application of this legislation in advancing black dealer ownership. At face value, the Act indicates that it is not prescriptive about downstream supply criteria for this sector. Research shows that, in general South African empowerment policies have not been well coordinated and therefore have not been effective in addressing racial transformation and other barriers of entry (Andreoni et al., 2021).

On the other hand, black investors, particularly in the automotive retail sector still face challenges and are of the view that existing supplier development programmes have not adequately aided in transforming and advancing previously disadvantaged enterprises (Venter, 2023).

9. What are the suggestions for future research?

Suggestions for future studies can look at black owned versus black operated dealers. As was evident in the study, corporate dealer groups and even white owned family dealers have found ways of increasing their BBBEE compliance or even ownership without necessarily losing control. This has been achieved by giving equity ownership to black investors that are not operationally involved in the running of the dealerships. The question is, are these the original intentions of the spirit of BBBEE act?

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"OEMs should streamline their application processes, provide more transparent selection criteria, and enhance financial support structures for new and existing Black-owned dealerships. Access to better financing terms, extended honeymoon stock periods, and business development mentorship would make ownership more sustainable."

💡 **Key Areas for Improvement:**

✔ **Simplified & Transparent Application Process** – Reduce bureaucratic hurdles and clarify selection criteria.

✔ **Stronger Financial Support** – Offer better financing options, including extended interest-free periods.

✔ **Longer Honeymoon Stock Arrangements** – Provide extended stock support to ease initial cash flow constraints.

✔ **Ongoing Business Mentorship** – Support dealers with operational training, marketing guidance, and strategic growth plans.

Would you like to emphasize any specific challenges in the current process? 🚀

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ANNEXURES

Annexure 1: PESTEL – Automotive Industry of South Africa

PESTEL Analysis of the South African Automotive Industry

Factor	Key Considerations
Political	- Government incentives (e.g., Automotive Production and Development Programme - APDP) - Trade agreements (AGOA, EU-SADC EPA) - Policy instability & corruption risks - Labor laws and strikes in the industry
Economic	- Exchange rate volatility impacting imports/exports - Rising fuel prices and inflation - Economic downturn affecting consumer spending - High unemployment affecting car sales
Social	- Urbanization driving demand for vehicles - Rising middle class and demand for affordable cars - Shift in consumer preferences (e.g., SUVs, electric vehicles) - Safety concerns influencing buying decisions
Technological	- Growth in electric vehicles (EVs) & hybrid technology - Adoption of automation in manufacturing - Advancements in connected & autonomous vehicles - Investment in local R&D and skills development
Environmental	- Stricter emission regulations & push for greener cars - Water and energy constraints affecting manufacturing - Recycling initiatives & circular economy trends - Shift towards renewable energy in production
Legal	- Compliance with emissions and safety standards - Consumer protection laws affecting warranties & services - Import/export regulations & tariffs - Intellectual property laws for technology in vehicles

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Annexure 2 OEM requirements – dealership application

1. Completion of the Preliminary Enquiry document
2. CVs of all proposed management and owners of the business;
3. Personal profile of owner/s including financial standing (personal income statement and balance sheet)
4. A profile or prospectus if an organization or entity;
5. Memorandum of intent detailing site locations, funding and economic motivations for having a dealership;
6. Copies of building/land ownership or lease agreements
7. Proof of ability to secure the necessary floorplan facilities from a recognised financial institution (new and used vehicle stock funding);
8. CVs of dedicated representative management indicating necessary skills to run a Volkswagen dealership;
9. Proof of ability to obtain securities such as personal suretyships, cessions, bonds;
10. Ability to obtain security in relation to Parts and Accessories in the form of a demand bank guarantee from a recognised financial institution (parts stock funding);
11. Should an application be successful, the dealership / group shall submit its B-BBEE scorecard to VWSA within 12 months of commencing trade and shall meet targeted scorecard levels in line with the broader VWSA Dealer Development strategy for BBBEE; (not necessary for countries outside South Africa);
12. Submission of a BEE proposal with a minimum of 50.1% ownership for approval by VWSA and implementation of such with immediate effect or by the commencement date;
13. Copy of the business shareholders agreement detailing ownership structure;
14. Submission of a comprehensive business plan, including cash flow statement and balance sheet;
15. Copy of audited financials of the holding company;
16. Copy of a signed sale agreement (if applicable);
17. Copy of the property lease agreement (if applicable);
18. Completion of the VWAG Business Partner Due Diligence audit.

Dealership Owner Opportunities

All prospective Dealership owners are required to include the following information as part of their application submissions:

- A Ford Application Form.*
- A signed business plan completed on Ford's template* and a budget for a full 12-month period.
- A list of tangible securities (with relevant detail) available to Ford Credit for your vehicle floor plan facilities.
- A copy of Memorandum of Articles of Association / Association Agreement / Partnership Agreement
- Copy of Certificate of Incorporation.
- Company's B-BBEE certificate and plans to maintain and improve compliance levels.
- The current bank overdraft limit and what security has been provided for the facility together with a letter from the bank confirming the overdraft.
- Signed annual statements and balance sheets of the applicant/s for the past 2 years.
- Current interim financial statements and balance sheets.
- Current signed personal statements of Shareholders / Members / Partners / Guarantors.
- Photographs, location map and layout plan of the prospective Dealership.
- Details of all beneficiaries / owners up to natural person.
- Shareholding structure including an organogram with percentages of shareholding.
- Company Structure indicating shareholding and their shares in the company.

*Ford application forms and templates will be supplied to shortlisted candidates during the tender process.

There are currently no open points available for tender. Please visit again to view future opportunities.

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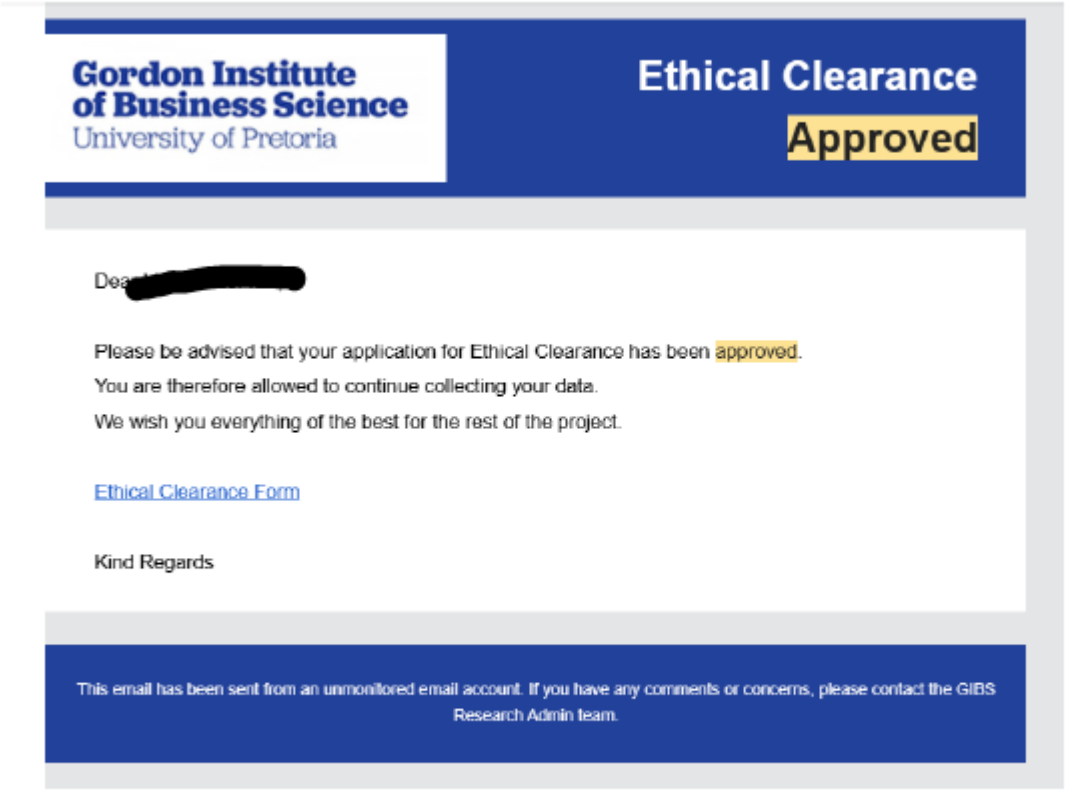
APPENDICES

Appendix A: Ethical Clearance Approval



Gordon Institute of Business Science
University of Pretoria

Ethical Clearance
Approved

Dea[redacted]

Please be advised that your application for Ethical Clearance has been approved.
You are therefore allowed to continue collecting your data.
We wish you everything of the best for the rest of the project.

Ethical Clearance Form

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

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Appendix B Interview Consent Form

Gordon Institute of Business Science
University of Pretoria

30 January 2025

To Whom It May Concern,

I am a currently student at the University of Pretoria's Gordon Institute of Business Science and completing research as part of my Applied Business Analysis and Research Project module.

I am conducting research on diversity, inclusion and downstream supply chain development within the franchised automotive retail sector in South Africa.

My interview is expected to last about an hour and will help me understand the current status of black retail dealers in automotive retail, then explores supply chain development programmes put in place by the Automotive OEMs, from the perspective of the B-BBE act.

Your participation is voluntary, and you can withdraw at any time without penalty. The interview will be audio recorded, and transcription may take place as well.
All data will be reported without identifiers and our interview will remain confidential. If you have any concerns, please contact my supervisor, the details are provided below:

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Appendix C: Interview Guide 1

Dealership owner questions

1. Were you in the motor industry before buying your dealership?
2. If not, what resources did you have to start and run the dealership?
3. How long have you had your dealership for and how many have you opened since your first franchise dealership?
4. What was the application process like for each of the franchises?
5. What were the terms/conditions of the approval?
6. What assistance have you received from the OEM as dealership owner?
7. Would you say that you are successful, if not, what support do you need, from whom?
8. What makes you successful/fail?
9. What should OEM continue to do well and what should they improve on with regards to the application process and the support you get?
10. Has the OEM asked you for feedback regarding what they can do better?
11. Do you think there are enough black owned franchise dealerships and what can be done to improve it?
12. In your view, has BBBEE worked in the automotive retail sector, if so in what way?
13. Why do think BBBEE investors succeed/fail in automotive retail sector?
14. Do you have a succession plan/Exit plan?

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Appendix D: Interview Guide 2

Industry Expert

1. What does you organisation contribute in the automotive retail sector?
2. What in your view has been the benefit of B-BBEE for black ownership in dealers?
3. Do the OEM dealer ’s take B-BBEE and the SAAM 2035 goals seriously?
4. Are the policies that are in place adequate to transform the industry?
5. Have black franchise dealerships been successful in your view, and what are the reasons?
6. Are you aware of dealership development programmes in the industry?
7. What initiatives as a body have you got in place to assist OEMs in increasing black dealerships?
8. What in your view needs to happen to increase the number of black dealers?
9. What should the supplier development programmes look like?
10. What does the future of black ownership of dealerships look like**?**

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Appendix E: Interview Guide 3

OEM Questions

1. How has your organisation implemented B-BBEE and what level have you achieved?
2. What is your current score on enterprise development and hoe did you achieve it?
3. What is your selection criteria for dealership applications? Is it the same for all applicants?
4. How many applications from black applicants do receive or have received in past and what is the success rate?
5. What were some of the reasons they were successful and unsuccessful?
6. How many franchise black dealerships does your brand have in South Africa?
7. How long have you had them for and what is their performance?
8. Do you have any supply chain development programmes particularly targeting black dealership owners?
9. What is your view regarding the number of black owned new car dealers?
10. What are the plans around the demography of investors in your franchise?
11. What do you believe your organisation can contribute towards achieving SAAM2035 goals?

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