

**DEVELOPING A COMPETENCY FRAMEWORK FOR BROAD- BASED BLACK
ECONOMIC EMPOWERMENT VERIFICATION PRACTITIONERS**

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DECLARATION

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree

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This dissertation is being submitted in partial fulfilment of the requirements for the degree of Magister Technologiae: Business Administration

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ABSTRACT

The influence of measuring Broad Based Black Economic Empowerment (B-BBEE) is becoming a vital issue in organisations simply because it affects the organisation in different ways. Organisations seek ways to improve their B-BBEE status level in order to be conducive when conducting business and they believe that B-BBEE is necessary. The B-BBEE verification agencies are responsible for carrying out a factual, thorough evaluation of a measured entity's B-BBEE status and, based on the result, for determining a B-BBEE score.

The overall aim of conducting verification is to give confidence to all parties that rely upon the score set out in the verification certificate that the information on which the certificate is based has been tested for validity and accuracy. The study provided more information on how verification agencies can improve their competencies and how this affects the Department of Trade and Industry and the verification agencies.

The study focused on educating the verification agencies and the Department of Trade and Industry about the importance and processes of developing a competency framework. Its purpose was to develop a competency framework for verification agencies. A survey consisted of about 300 verification practitioners employed by 80 verification agencies. Data was collected using the consensus sampling technique. All of these practitioners constituted a 'universe' or 'population' and 87 respondents were utilised. The Social Package for the Social Sciences (SPSS) and AMOS software packages were used for descriptive and factor analysis. Finally, the findings for the study are highlighted and the conclusions, implications and recommendations drawn.

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Chapter 1

OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The Broad-Based Black Economic Empowerment (B-BBEE) status has become an imperative and is legislated for submission of tenders in government (RSA 2011). The Codes of Good Practice (Codes) were published in 2007, the aim of which was, in part, to introduce the B-BBEE Scorecard to measure the degree of compliance to B-BBEE (DTI 2007). Such a measurement would result in a measured entity receiving a certificate indicating its degree of compliance to B-BBEE. Thus, obtaining a B-BBEE certificate would, to some extent, provide organisations with a competitive advantage in conducting business with government. The role of a verification agency is to audit the scorecard. It is their job to check that all documentation is available and correct (Econo BEE 2009). Hence it became imperative to ensure the factual correctness of the information provided to the verification agency. In the early 2000s there were only three or four rating agencies (Business Report 2008:3).

Following the release of the first the draft of the Codes in 2004, the number of rating agencies increased rapidly. However, a key difficulty emerged in that there were no common standards for assessing BEE status and that different rating agencies applied different criteria (Gomez & Premdas 2013:141). To overcome this problem the DTI appointed the South African National Accreditation System (SANAS) to develop a set of accreditation criteria by which would-be rating agencies could be assessed (DTI 2007).

To this end, in July 2008 the government published the Verification Manual for the creation of universal, transparent and coherent standards applicable in the verification industry. The aim of the manual was to set acceptable minimum standards and ethical codes of conduct underpinning the responsibilities of verification agencies to perform verification and reporting on the B-BBEE Scorecard (DTI 2008:8). Furthermore, the purpose of the manual was to outline the responsibilities of the verification agency to its client in respect of quality control, and

also set the requirements based on the key measurement principles and calculations of B-BBEE policy (DTI 2008:8).

An auditing model was adopted as a framework for the B-BBEE verification process (Jack 2007:78). The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved when the auditor can verify that the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework, and that the financial statements are presented fairly, in all material respects, and give a true and fair view in accordance with the framework (IFAC 2010:73). Verification is also defined as the confirmation through the provision of objective evidence that specified requirements have been fulfilled (Haeckel & Püntmann 2001:2). In the context of B-BBEE, verification means the process and activities conducted by a verification agency to assess, verify and validate that the score awarded to a measured entity is a result of individual scorecard elements supplied by a measured entity, and to evaluate B-BBEE transactions in order to provide an indicative B-BBEE score and certification based on the principles of the B-BBEE Codes (DTI 2008:7).

For the past four years there has been a growing emphasis within the verification industry on the need to develop and improve the performance of B-BBEE verification practitioners in order to meet the increasing demands being placed on the industry by both its clients and government (Econo BEE 2011). Marais (2012:2) pointed to the need to enhance the competence of the industry. Developing and improving the performance of the verification industry would require of the industry and government to develop competencies of the practitioners.

According to Armstrong (2001:302), competence is a work-related concept that defines the areas of work in which a person needs to be competent. Competence relates to a person's ability to comply with a range of externally agreed standards whereas competency refers to personal attributes that a person draws upon as part of their work activities (Roberts 1997:6). Woodruffe (1991:41) argues that competency is a person-related concept that refers to the dimensions of behaviour underlying competent performance. Mansfield (1999:24) posits that displaying competency is not about demonstrating an ability to comply with minimum standards

of functional performance, but relates to generic underlying behavioural characteristics that results in effective performance.

A competency framework is a detailed, behaviourally specific description of the skills and traits that employees need to be effective in a job (Mansfield 1999:7). In applying the competency approach, it is more important to consider whether the skills, abilities or knowledge can be integrated with certain values and attitudes towards competence in performing the job roles rather than the mere possession of these component characteristics (Yan Man 2006:312). Further research by Mansfield (1999:401) shows that competency relates to characteristics that result in effective performance. These are variously defined in terms of those essential personal traits, skills, knowledge and motives of the employee that are related to superior performance (Dainty, Cheng & Moore 2003:878).

The literature considered so far has defined B-BBEE verification and the need for a verification process. It also helped define the difference between competence and competency, as this study seeks to develop a competency framework for the industry.

1.2 PROBLEM STATEMENT

Whereas the market used the scorecard to measure the degree of compliance, a need arose to ensure the independence and credibility of the B-BBEE Scorecard. Hence some form of standard verification became necessary across the various industries. In 2007 the DTI approved the South African National Accreditation System (SANAS) to accredit the verification agencies for B-BBEE verification purposes (DTI 2007). Subsequently, SANAS and the DTI (2009) then announced the first batch of accredited verification agencies. Upon resuming their work the DTI identified the need to enhance the competence of the verification agencies (Seate 2010). Although the need was identified, the competency framework for the B-BBEE verification agencies has yet to be developed. This study therefore will determine the competency framework for B-BBEE verification practitioners that will form the basis for improving and professionalising the industry.

Although there has been much progress on the legislative front to transform the South African economy, not much has been done to develop the capacity of the

implementers of the legislation with the knowledge and competencies to verify entities in accordance with the stipulations of the B-BBEE Act of 2003, the B-BBEE Generic Codes of Good Practice and Sector Codes. Given the shortcomings of the previous fields of research and the inability to establish the capacity in the industry, this study seeks to fill the gap in literature and determine what training is needed in order for the verification practitioners to be deemed competent to verify entities for B-BBEE status.

Previous studies have shown that one of the most difficult managerial and leadership issues remain the translation of business strategy into individual competencies needed to implement and support that strategy at the operational level in organisations (Vakola, Soderquist & Prastacos 2007; Kaplan & Norton 2005). Nunes, Martins and Duarte (2007:13) found that commitment is one of the main problems encountered in the implementation. The reality is that practitioners need prescriptive job descriptions in order to be able to behave in a manner aligned with strategic objectives (Sparrow 1997). It is against this background that this study seeks to fill the gap in literature and practice to determine the competencies and skills required by the practitioners within the B-BBEE verification industry.

1.3 RESEARCH QUESTIONS

The following research questions are formulated in support of the research problem statement:

- What competencies are required by the B-BBEE verification practitioners to perform their functions optimally?
- What competency framework needs to be developed to ensure that the future training and development needs of the B-BBEE verification practitioners are met?

1.4 OBJECTIVES OF THE STUDY

1.4.1 Primary objective

The primary objective of the study is to develop a competency framework for B-BBEE verification agencies.

1.4.2 Theoretical objectives

- To conduct literature review on the concept of B-BBEE.
- To study literature on verification and auditing processes.
- To review literature on the competency models.
- To review literature on how competency models can be developed and implemented to improve performance of B-BBEE verification agencies.

1.4.3 Empirical objectives

- To determine what competencies the B-BBEE verification professionals requires to perform their functions optimally.
- To develop the B-BBEE competency framework for B-BBEE verification professionals.

1.5 RESEARCH DESIGN AND METHODOLOGY

1.5.1 Research Design

A research design is a set of guidelines and instructions on how to reach a set goal. These guidelines and instructions should be followed when addressing the research problem (Mouton, 1996:108). According to Singleton and Straits (2006: 589), a research design consists of a clear statement of the research problem as well as plans for collecting, processing and interpreting the observations intended to provide answers to the research question or to test the hypothesis.

This research followed a quantitative approach. Quantitative research tools are systematic and structured devices that aim to obtain information from responses in a direct and open manner with easily quantifiable research tools and instruments with a potentially high degree of accuracy (Du Plessis & Rousseau 2007:21). Quantitative data aims to generalise about a specific population based on the results of a representative sample of that population. It also involves the collection of primary data from large numbers of individuals and projects the results to a wider population (Auriacombe 2005:19).

1.5.2 Research methodology

The study comprised both a literature review and an empirical study.

1.5.3 Literature review

Various items of literature were reviewed, including material from books, journals, completed theses and government documentation, such as the Broad-Based Black Economic Empowerment Legislative Framework, B-BBEE Act No. 53 of 2003 and its Strategy, the Codes of Good Practice, as well as provide a discussion on the analysis of the Codes. Literature on developing competency frameworks was also reviewed.

1.5.4 Empirical study

The empirical part of this study comprised the following methodological aspects:

1.5.5 Target population

According to Babbie (2012:115), the population for a study is that of a group (usually of people) about whom conclusions are drawn. It can also be described as the entire compilation of elements that the researcher aspires to draw conclusions from (Cooper & Schindler 2003:179). In this study the target population will comprise all B-BBEE verification practitioners.

1.5.6 Census inquiry

All the items under consideration for any field of inquiry constitute a 'universe' or 'population', and a complete enumeration of all the items in the 'population' is known as census inquiry. It can be presumed that in such an inquiry, when all items are covered no element of chance is left out and the highest accuracy is obtained (Kuma 2005:121). There are about 300 verification practitioners employed by the 80 verification agencies. All of these practitioners constitute a 'universe' or 'population'. All 80 verification agencies are listed on the SANAS website.

In this study, because of the known small potential population, it was feasible to undertake a census. This ensured that the views of all practitioners were represented where other techniques for selection may be overlooked completely or underrepresented.

1.5.7 Method of data collection

Questionnaires were used as method of data collection. According to Leedy and Ormrod (2010:23), the advantages of using a questionnaire is that firstly, it can be sent to a large number of people. Secondly, the participants can respond to questions with the assurance that their responses will be anonymous. The questions from a questionnaire were fully structured, meaningful and interesting to the respondent, with a cover letter, title, clear and concise instructions on how to complete the questionnaire.

1.5.8 Measuring instrument

The measuring instrument was developed to suit the objectives of the study and designed in such a way that it suits the verification industry. The measurement items were measured using a 5-point Likert scale with the following representative values: 1 - strongly disagree to 5 - strongly agree. The scale is based upon the assumption that each statement/item on the scale has equal attitudinal value, importance or weight in terms of reflecting attitudes towards the issued questions (Kumar 2005:145).

1.5.9 Data analysis

The measuring instrument was coded in such a way that data can be captured into an Excel spreadsheet and then exported to the latest version of the Social Packages for the Social Sciences (SPSS) and Amos Software for descriptive and factor analysis.

1.5.10 Validity and reliability

According to Terre Blanche and Durrheim (2002:83), validity means the degree to which the instrument measures what it is meant to measure and that validity takes different forms. Factor analysis was used to check the validity of the measurement items and the internal consistency of the research constructs. When a satisfactory factor solution has been derived, some meaning is assigned to each factor, which involves substantive interpretation of the pattern of factor loading for the variable (Hair, Anderson, Tatham & Black 1995:397). While all significant factor loadings are

usually used in the interpretation process, it is suggested that as a rule of thumb one should ignore variables with loadings of less than 0.50.

Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error. In most contexts the notion of consistency emerges. Reliability is a necessary contributor to validity, but is not a sufficient condition for validity (Cooper & Schindler 2001:215). Internal consistency was checked using factor analysis. The instrument will be deemed reliable if the Cronbach's alpha value is at least 0.70 (Fouche & Delport 2002:106).

1.5.11 Ethical issues

The researcher strove to adhere to the required ethical standards for a study of this nature. The researcher requested permission to have respondents' time to complete the questionnaire and informed each respondent about the purpose of the survey. Participation in the study was voluntary. Their personal data was processed fairly and lawfully and used only for the purpose of the study. Personal responses from individuals were not ascribed to any individual. All data was computed in aggregate and not ascribed to any respondent. The questionnaire did not contain the names of respondents - anonymity of respondents was maintained throughout the study and professional competence in the data collection and analysis was maintained.

1.6 CLASSIFICATION OF CHAPTERS

The chapters of the research are as follows:

Chapter 1: Introduction and background

In this chapter, a background and the scope of research undertaken were provided. Specific focus was given to aspects such as the research problem, research objectives, research design and methodology, and structure of the thesis.

Chapter 2: Literature review

In this chapter, a literature review was provided on the concept of Broad-Based Black Economic Empowerment Legislative Framework. The history and evolution of the B-BBEE Act No. 53 of 2003 and its Strategy, the Codes of Good Practice, as well as a discussion of the analysis of the Codes was provided. The chapter also discussed the competency models and frameworks, including their implementation.

Chapter 3: Research design and methodology

This chapter presented the design and methodology applied in this research. It gave an overview of the research process, research questions, selection of participants, data-collection methods, data analysis, and measures of trustworthiness (validity and reliability) of the study.

Chapter 4: Data analysis and presentation of findings

In this chapter, data analysis and interpretation of results were presented on the data collected from the research survey conducted within the ambit of this research. A detailed explanation on the analytical tool that was used to analyse the detail provided. Specific focus was on descriptive survey analysis and key research findings. The results of the empirical study were provided and the demographic data was also presented.

Chapter 5: Discussion and conclusion

This chapter discussed the findings and drew a final conclusion. The chapter also presented the proposed competency framework. Further, research and policy recommendations were made in this chapter.

1.7 CONCLUSION

This chapter introduced the study and described the research background, which discussed how B-BBEE status has become an imperative for the submission of tenders in government. In this chapter the need to enhance the competence of the verification agencies was highlighted. The chapter also articulated the purpose of the study, the research objectives and research questions. The literature considered in

first section of this chapter defined B-BBEE verification and the need for a verification process. The literature also helped to define the difference between competence and competency as the study seeks to develop the competency framework for the industry.

The chapter also provided a brief introduction of a quantitative research design and methodology followed. It also outlined the targeted population of all accredited verification agencies. Lastly, the chapter provided an outline of the study. The next chapter will review the literature on the BBBEE policy framework, competency framework, and verification.

Chapter 2

LITERATURE REVIEW

2.1 INTRODUCTION

Establishing the competence or competency of an individual's occupational role has been seen as an increasingly versatile and powerful tool in contemporary human resource management practice (Collin 1997). Such assessments can help define job-role characteristics and desired levels of performance and hence can provide a basis for many aspects of that function. However, although the use of the terms 'competence' and 'competency' is fairly indiscriminate, there are important conceptual and practical distinctions to be made that fundamentally effect their application within modern organisations (Moore *et. al.*, 2002:314).

Competence is about mastery in relation to specified goals or outcomes, and requires the ability to demonstrate mastery of specific job-relevant knowledge and skills. The measurement of competence at work involves the assessment of performance in the workplace against some pre-defined set of occupational or work-related knowledge and skill standards. These standards define the performance criteria associated with competence in the workplace (Beaumont 1996:29). Competence, in relation to occupational standards based qualifications, has been defined as the ability to apply knowledge, understanding and skills in order to perform to the required standards in employment. This includes solving problems and meeting changing demands (Beaumont 1996:30).

Thus it is essential that the skills necessary for workplace success be clearly articulated by business and industry and fully understood by educators, those who provide career guidance, and the workforce system. As such, a competency model that will form a foundation for human resource functions is important because it specifies what is essential to select, train and develop. It also provides a framework for business and industry to clearly articulate their workforce needs. In addition, it demonstrates the commonality of broad knowledge and skills needed in an industry that forms the foundation for the development of career ladders or lattices (Personnel Decisions Research Institutes 2012:5).

For the past four years, there has been a growing emphasis within the verification industry on the need to develop and improve the performance of Broad-Based Black Economic Empowerment verification practitioners in order to meet the increasing demands being placed on the industry, both by its clients and government (Econo BEE, 2011). Marais (2012:2) pointed to the need to enhance the competence of the industry. Hence the review of the literature involved a discussion of the notion of empowerment, from a global and South African perspective. Malaysian New Economic Policy (NEP) was reviewed for experience and lessons learned, then followed by the concept of Broad-Based Black Economic Empowerment (B-BBEE). Next, the history and evolution of the B-BBEE Act no 53 of 2003 and its Strategy, the Codes of Good Practice were reviewed, including a discussion on the analysis of the Codes. This is followed by the methodologies of B-BBEE verification guidelines in terms of its significance to the research as well as the applicable standards. The Audit and verification standards were also examined to demonstrate the similarities of the audit and verification function. Finally, literature on the competency models, frameworks, and the implementation of such as well as the concept of training needs assessment and the role of competencies, skills, knowledge, and attitude on performance was undertaken.

2.2 THE IDEA OF EMPOWERMENT

Empowerment has come to mean different things to different people (Khosa, 2012: 3). Wilkinson (1998: 53) advises that in an attempt to define empowerment, it is important to acknowledge that empowerment happens within a certain context. Empowerment means increasing the participation of a marginalised group in the economy, self-efficacy, actualisation, access to basic services, inclusive democracy, a fair and just meritocracy system and equal opportunities for all (Smith 1997; Wilkinson 1998; Friedmann 1992). Friedmann (1992) has been one of the first scholars to provide a theoretical foundation for the concept. Friedmann (1992:31) defines alternative development as a process of social and political empowerment whose long term objective is to re-balance the structure of power in society by making state action more accountable, by strengthening the powers of civil society in the management of its own affairs, and making corporate business more socially responsive.

He also critically appraises the theoretical foundation of empowerment by distinguishing between social, political and psychological empowerment (Khosa 2011:3). Friedmann (1992:1996) argues that social empowerment is about access to certain bases of household reproduction, such as supportive life space, surplus time, knowledge and skills, social organisation, social networks, instruments of work and livelihood, and financial resources. Political empowerment is about access of individuals and household members to the process by which decisions, particularly those affecting their own future, are made. Friedmann (1996) does not see political empowerment as the power to vote only, but also as the power of voice and of collective action. Psychological empowerment is about the individual's sense of potency, which is largely a result of successful action in the social and political domains (Friedmann 1992:1996).

Friedmann (1992:1996) also argued that empowerment seeks a change in the existing national strategies through a politics of inclusive democracy, appropriate economic growth, gender equality, and sustainability or intergenerational equity. From this perspective, the starting point of empowerment is the locality. As such, empowerment is seen as a process, which originates from below and within a specific territory. His argument is that empowerment cannot be guided by government elites but can and should be supported by them (Khosa 1992:3).

2.3 INTERNATIONAL CASES OF ECONOMIC EMPOWERMENT

In this section models of economic empowerment from the global and South African perspective are discussed.

2.3.1 MALAYSIAN ECONOMIC EMPOWERMENT

The New Economic Policy (NEP), launched in 1970, was aimed at bridging the gap in terms of income, employment and wealth between the economically disadvantaged Bumiputras and the other ethnic groups (Salleh & Meyanathan 1993:12). Although the NEP is typically portrayed as a response to the 1969 riots and underlying ethnic inequality, it was also driven by the emergence of a nascent ethno-nationalist capitalist class (Shamsul 1986:16). Few societies are as sharply defined in terms of racial categories - in this case, Malays, Chinese, and Indians - and still fewer have undertaken massive redistribution along racial/ethnic lines (Hart

1992:45). The NEP specifies two prongs, the first was to reduce and eventually eradicate poverty, the second to accelerate the process of restructuring Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function. The second prong in turn had two aspects: (a) employment was to be restructured by sector and occupation, eliminating the ethnic division of labour that had been created in colonial times and remained quite evident in 1970; (b) the ownership and control of wealth was to be restructured. Malays were to hold 30% of corporate sector assets by 1990, compared to their share of 2%; Chinese and Indian Malaysians were to hold 40%, while the foreign share was to plummet from 65% to 30% (Snodgrass 1980:7). The quota system operated in the private as well as the public sectors. For example, the Industrial Coordination Act of 1975 stipulated that 30% of the equity of firms producing for the domestic market had to be set aside for Malays, the enforcement of employment quotas for Malays in export as well as domestic industries, and a requirement that firms use Malay distributors for a minimum of 30% of turnover. Employment of Malays also expanded through a proliferation of parastatals in the 1970s, as well as direct employment in the bureaucracy (Hart 1992:49).

Put differently, with the development of the NEP, the plans became more proactive and the government substantially increased its economic development activities, interventions and investments (Salih 2001:8). A unique feature of Malaysia's record has been its stability to achieve a high growth rate in spite of its ethnicity and high income inequality (Bruton 1992; Demery & Demery 1991; Hoer 1975; Horri 1991 & Rudner 1975). Sartorius and Botha (2008) concluded that the positive effects of the NEP were remarkable. During the NEP period, Malaysia experienced a remarkably high economic growth. In the 1970s, the economy was growing at an average annual growth rate of 8.3 percent. The GDP growth rate has been sustained at roughly more than 8.0 percent annually. The rapid growth was accompanied by relatively low and stable prices as well as a low and declining unemployment rate. The remarkable growth and development record of Malaysia during the past decades has been widely acknowledged. Indeed, Malaysia has been recognised as one of the "economic miracles" of East Asia (World Bank, 1993).

In conclusion, it has been shown that since the 1970s, Malaysia has achieved remarkable growth and development. The economic structure of the country has also been transformed from dependence on agriculture to a more broad based economy. The interests of aspiring Malay accumulators were strongly articulated in two indigenous economic congresses (Kongeres Ekonomi Bumiputera) held in 1965 and 1968, strikingly reminiscent of the Afrikaner Ekonomiese Volkskongres of 1939 (O'Meara, 1983 cited in Hart 1992:46).

2.3.2 ECONOMIC EMPOWERMENT IN SOUTH AFRICA

Economic empowerment in South Africa is not a new concept. It can be traced back to 1924 when the South African Government was pressured by Afrikaner farmers to make large amounts of capital available to them in the development of Afrikaner Nationalisation (Adam & Giliomee 1979:170). Again in 1948, when the National Party came into power, there was increased state assistance to empower Afrikaners and especially to close the economic gap between them and English-speaking Whites (O'Meara 1983:14). Empowerment of Afrikaners took many forms including: (1) directing official business to Afrikaner banks; (2) allocating valuable state contracts to Afrikaners, and (3) procuring goods and services from Afrikaner owned business.

Ponte, Roberts and van Sittert (2007:937) observe that as a result of Afrikaner empowerment through direct employment and procurement, Afrikaner ownership in the commercial sector stood at 25 percent by 1949, and in the mining sector, up from only 1 percent in 1949 to 22 percent in 1960. Interestingly, Ponte *et. al.*, (2007:937) posit that the policies of the post-apartheid South African state have historical precedents nationally and internationally and that such precedents have furnished the African National Congress (ANC) government with a home-grown model of state manipulation of the economy to benefit a particular social group.

The empowerment of the Afrikaner intensified the marginalisation of the black majority from formal economy. This structured exclusion of blacks from economic power started in the late 1800s with the first dispossession of land and continued until it culminated in the late-1900s (Mbeki 1991). Following the unbanning of political organisations and the release of Nelson Mandela during the early 1990s, the National Party government started introducing the idea of Black Economic

Empowerment in response to President Mandela's speech in February 1990. Gqubule (2006) supports the view that BEE was engineered by the private sector, driven by the need for survival and fear of losing economic power. However, (Moshapalo 2005, cited in Gqubule 2006) argues that the term BEE was not invented by whites; rather in the 1980s it was used by Foundation for African Business and Consumer Services, in an attempt to unite blacks and gain economies of scale and bargaining power.

2.4 BLACK ECONOMIC EMPOWERMENT

After the transition from Apartheid in 1994, the government of the ANC considered that the creation of greater political equality in itself, though necessary, was not sufficient to unwind the inherited social and economic inequalities. To deal with the legacy of apartheid, direct intervention in the distribution of assets and opportunities was deemed desirable and the central pillar of this intervention became Black Economic Empowerment (BEE) (Acemoglu, Gelb & Robinson 2007:4). BEE is a government policy that was envisaged to advance economic transformation specifically by boosting the participation of blacks within the economy.

The Black Economic Empowerment Commission (BEE Com 2001: 2) defines BEE as an integrated and coherent socio-economic process located within the context of the country's national transformation programme, namely the Reconstruction and Development Programme. It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity. It has been said that BEE has had two phases so far, namely the first and second phases.

2.4.1 The first phase of BEE

BEE or narrow-based BEE came into existence in 1994 with the first democratically elected government (Fauconnier & Mathur-Helm 2008:4). As Gelb (2004 cited in Acemoglu *et. al.* 2007:6) puts it, the first phase of BEE, involved white companies selling a proportion of their unissued equity to a few pre-identified black purchasers. The sales were financed by loans, which were often provided by the vendor and

usually secured by future earning flows of the company itself, meaning that loan repayments assumed rising dividends and share prices in many instances; the purchaser was a consortium assembled by one or two black individuals, usually with a high political profile but with limited experience in business.

According to Jack (2007:7), the financial services group Sanlam sold its controlling interest in Metropolitan Life (Met life) to the Black shareholder of Met life Investment Holdings, a consortium formed by prominent Black business people and community leaders. The first BEE phase (in the 90s) was largely persuasive. Ponte *et. al.* (2006) argue that during the first phase, ownership of capital and deals dominated the empowerment space coupled with legislation not necessary referred to as empowerment or BEE.

At the same time as this market driven and uncoordinated BEE was evolving, the advisers to the BEE deals chased for deal flow as their fees relied on the size of the deal. For this reason the structured deals in the first wave of BEE were not robust enough to withstand the vagaries of the markets, as the sustainability of the deals was not a prime consideration (Jack 2007:9). This first wave of BEE came unstuck with the stock market decline in 1998, which led many of the financial deals to unravel.

2.4.2 The second phase of BEE

In response to a growing sense that BEE had to be expanded and institutionalised in 1999 the ANC government supported the creation of the BEE Commission under the chairmanship of Cyril Ramaphosa (Acemoglu *et al.* 2007:7). The establishment of the BEE commission in 1999 followed the first phase of BEE (Booyesen 2007:47). In 2001, the BEE Commission released its report affirming the Broad Based approach of BEE. The BEE Commission (2001:4) proposed an Integrated National BEE Strategy that would set clear standards, guidelines and measurements for implementation and a move towards Broad Based BEE. The process set in motion by the formation of the BEE Commission first came to real fruition in 2003 with the publication of the document, “*A Strategy for Broad-Based Black Economic Empowerment*”. This document was particularly notable for paying out for the first time the generic scorecard showing the relative weights attached to seven basic

dimensions of BEE (Acemoglu *et al.* 2007:9). The seven elements and their respective weightings out of 100 are depicted below:

Table 2.1 The Seven Elements of the BEE scorecard

Element	Weighting	Compliance Target
Ownership	20 points	25%+1
Management Control	10 points	(40%-50%)
Employment Equity	15 points	(43%-80%)
Skills Development	15 points	(3% of payroll)
Preferential Procurement	20 points	(70%)
Enterprise Development	15 points	3% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
Total	100 points	

Source: Department of Trade and Industry 2003

The nature of empowerment that the BEE policy framework espoused would be an inclusive process (Mbeki 2003:2). He further argues that without a growth in black skills, economic growth would be hampered, as during the narrow based BEE, firms place more emphasis on BEE ownership and management structure. The latter policy, however, now also requires firms to change their capital and control structures, their management structures, their activities involving enterprise development and the way firms engage with society more broadly (Andrews 2008). When the shortcomings of narrow-based BEE became apparent towards the end of the 1990s, a need emerged for a more inclusive approach to empowerment, which would begin to narrow the divide between the first and second economies by putting mechanisms in place to accelerate the entry of black people in to the first economy. This approach became known as Broad-Based Black Economic Empowerment (B-BBEE). Subsequently, the Broad-Based Black Economic Empowerment Act, No. 53 was promulgated and signed into law by President Mbeki in January 2004, which followed the release of the Strategy (DTI 2003). The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy. The Act provides a legislative framework for the promotion of B-BBEE, empowering the Minister of Trade and Industry to issue Codes of Good Practice and publish Transformation Charters, and so pave the way

for the establishment of the B-BBEE Advisory Council. Acemoglu *et. al.*, (2007) hold the view that B-BBEE has created a much broader and more systematic basis on which to transform the economy inherited from the Apartheid period.

2.4.3 The Codes of Good Practice

The Codes of Good Practice provide a standard framework for the measurement of broad-based black economic empowerment across all sectors of the economy. The first phase of BEE Codes of Good Practice which covers the conceptual framework, the measurement of Ownership and Management Control, as well as interpretations of individual statements, was published in 2005 (DTI 2005). One objective of these codes is to provide further clarity and guidance on the interpretation and definition of B-BBEE. The second phase of the Codes of Good practice was gazetted in 2007, when the government moved from a persuasive to a more assertive approach. This reflected a move towards a maximalist approach (Gqubule 2006). Applying the Codes of Good Practice to an enterprise simply means that it will be measured in accordance with a broad-based scorecard. In other words, the measured enterprise's B-BBEE status will be measured according to the targets and weightings contained in the applicable broad-based scorecard, as well as the measurement principles contained in each of the corresponding Statements. A measured enterprise will receive a score out of 100, which will confer upon it a corresponding B-BBEE status according to its B-BBEE contributions (DTI 2007).

2.5 THE B-BBEE VERIFICATION FRAMEWORK

The B-BBEE status has become an imperative and is legislated for submission of tenders in government (RSA 2011). The Codes of Good Practice (Codes) were published in 2007, the aim of which was, in part, to introduce the B-BBEE Scorecard to measure the degree of compliance to B-BBEE (DTI 2007). Such a measurement would result in a measured entity receiving a certificate indicating its degree of compliance to B-BBEE. Thus, obtaining a B-BBEE certificate would, to some extent, provide organisations with a competitive advantage in conducting business with government. The role of a verification agency is to audit the scorecard (Econo-BEE 2009). Thus it became imperative to ensure the factual correctness of the

information provided to the verification agency. In the early 2000s, there were only three or four rating agencies (Business Report 2008: 3).

Following the release of the first draft of the Codes in 2004, the number of rating agencies increased rapidly. Yet it emerged that a key difficulty was that there were no common standards for assessing BEE status and that different rating agencies applied different criteria (Gomez & Premdas 2013:141). To overcome this problem the DTI appointed the South African National Accreditation System (SANAS) to develop a set of accreditation criteria by which would-be rating agencies could be assessed (DTI 2007).

To this end, in July 2008 the government published the Verification Manual for the creation of universal, transparent and coherent standards applicable in the verification industry. The aim of the manual was to set acceptable minimum standards and ethical codes of conduct underpinning the responsibilities of verification agencies who perform the verification and report on the B-BBEE Scorecard (DTI 2008:8). Furthermore, the purpose of the Verification Manual was to outline the responsibilities of the verification agency to its client in respect of quality control, and also set the requirements based on the key measurement principles and calculations of B-BBEE policy (DTI 2008:8).

2.6 B-BBEE VERIFICATION METHODOLOGY AND PROCESS

The following sections describe the actual B-BBEE verification methodology and process.

2.6.1 B-BBEE Verification Methodology

The Oxford Dictionary defines methodology as a system of methods used in a particular area of study or activity: a methodology for investigating the concept of focal points. The Verification Manual provides a system of methods and comprehensive and easy-to-follow guidelines on the authentication and substantiation of B-BBEE reporting, as well as minimum norms and standards on the ethical conduct and procedures employed in ensuring the verification of B-BBEE Codes of Good Practice. The verification guideline puts forward a methodology for

verification agencies to follow. It is very much an auditing manual, and emphasises that verification agencies must check records (Econo-BEE 2008).

The objective of B-BBEE verification methodology is to guide a verification agency to obtain sufficient and appropriate evidence on whether the enterprise has complied, in all material respects, with the key measurement principles for calculating all seven elements of the B-BBEE Codes of Good Practice. All verifications are to be based on information obtained on-site visit to the measured entity (DTI 2008:38).

The following process illustrates the minimum evidence required in each of the Codes: Series 100 to 700 when determining the scores for each element of Codes as reflected on the B-BBEE verification certificate issued:

Table 2.2 BBEE verification methodologies

Element	Weighting
Ownership	Key principles: Entrench a key objective of the Act, i.e. to increase the number of black people that manage, own and control enterprises and productive assets. Provide recognition and measurement criteria for black ownership. Ownership is measured as an entitlement to both:
Management Control	Key principles: Setting Targets for Board Representation and Executive Involvement of black people. Implication: Encourage a proper representation of black people on company boards in executive and non-executive capacity. Counters market trend in appointing black non-executives rather than executives.
Employment Equity	Key Principle: Measures representation of black people on management structures of organizations. There are targets from Junior management up to Senior Management level and 40% sub-minimum of each target.
Skills Development	Key principle: Measures percentage expenditure for the development of black people.
Preferential Procurement	Key Principle: Promotes BEE Compliance by all entities.
Enterprise Development	Key principle: Measurement of Enterprise Development initiatives.
Socio-Economic Development	<p>Key Principle: The key principle is for these initiatives to result in the beneficiaries having sustainable access to the economy.</p> <ul style="list-style-type: none"> • Reconcile claimed Socio-Economic Development Contributions with Invoices or other supporting evidence to determine accuracy.

Source: Department of Trade and Industry 2008

2.7 THE ROLE PLAYERS IN THE VERIFICATION PROCESS

Key Players

The verification process involves a number of key players, whose main responsibilities are as follows:

- **Accreditation Body (SANAS):** responsible for accrediting Verification Agencies to perform verification assessments, evaluations for measured entities and issue B-BBEE certificates. The Accreditation Body is also responsible for ensuring the consistency and quality of the verification process by monitoring each Verification Agency's compliance with program requirements; assessing the accuracy of each Verification Agency's work; and sanctioning Verification Agencies which do not continue to meet program requirements. In addition, if disputes between enterprises and Verification Agencies cannot be resolved, parties may bring such disputes to the DTI for resolution (DTI 2008).
- **Verification Agency:** The DTI recognises that only accredited Verification Agencies are responsible to assess, verify and issue B-BBEE verification certificates to a Measured Entity (DTI 2009).
- **Association of BEE Verification Agencies (ABVA):** ABVA is an independent national Membership Organisation established to lead the Black Economic Empowerment (B-BBEE) Verification Industry as it takes up a vital role in the transformation of the South African economy. The purpose of ABVA is to promote the objectives of the B-BBEE Act and the Codes, high levels of professionalism and competence and represent the BEE verification sector in its dealings with the DTI, SANAS, the public and other relevant stakeholders (ABVA 2011).
- **Independent Regulatory Board of Auditors (IRBA):** The DTI issued a notice on 23 September 2011 that empowered IRBA to approve registered auditors to provide B-BBEE assurance services and to issue valid B-BBEE

Status Level Certificates - referred to as B-BBEE Verification Certificates, to measured entities. This includes complying with the South African Standards on Assurance Engagement 3502 as well as the DTI's additional accreditation criteria (IRBA 2012).

- **B-BBEE Approved Registered Auditors:** According to the DTI (2011), only approved Registered Auditors are responsible for assessing, verify and issue B-BBEE verification certificates to a Measured Entity (DTI 2011).

2.8 THE IDEA OF VERIFICATION AND AUDITING

The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the auditor expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework (ISA 200:72). The International Standard on Auditing (ISA) sets out the overall objectives of the independent auditor, and explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives. In conducting an audit of financial statements, the overall objectives of the auditor are:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and
- to report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings (ISA 200:74).

One of the guiding principles of the DTI is to establish the environmental integrity in reported B-BBEE status of the measured entity. In part, the measurement and reporting requirements articulated in B-BBEE Verification Manual will assure the quality and integrity of the collected data (DTI 2008). Equally important is the third-party evaluation of the accuracy of verification agencies and approved registered auditor's B-BBEE verification conducted and their conformity with the verification manual's prescriptions.

2.8.1 Ethical Requirements

The auditor is subject to relevant ethical requirements, including those pertaining to independence relating to financial statement audit engagements. Relevant ethical requirements ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements together with national requirements that are more restrictive. Part A of the IESBA Code establishes the fundamental principles of professional ethics relevant to the auditor when conducting an audit of financial statements and provides a conceptual framework for applying those principles. The fundamental principles with which the auditor is required to comply by the IESBA Code, namely are: (a) Integrity; (b) Objectivity; (c) Professional competence and due care; (d) Confidentiality; and (e) Professional behaviour. Part B of the IESBA Code illustrates how the conceptual framework is to be applied in specific situations. In the case of an audit engagement it is in the public interest and, therefore, required by the IESBA Code, that the auditor be independent of the entity subject to the audit. (ISA 200:84)

2.8.2 Professional Judgment

Professional judgment is essential for the proper conduct of an audit. This is because interpretation of relevant ethical requirements and the ISAs and the informed decisions required throughout the audit cannot be made without the application of relevant knowledge and experience to the facts and circumstances (ISA 200:86).

2.8.3 Professional Scepticism

Professional scepticism includes being alert to, for example:

- audit evidence that contradicts other audit evidence obtained;
- information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence;
- conditions that may indicate possible fraud; and
- circumstances that suggest the need for audit procedures in addition to those required by the ISAs.

2.8.4 Sufficiency and Appropriateness of Audit Evidence

Audit evidence is necessary to support the auditor's opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources, such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit) or a firm's quality control procedures for client acceptance and continuance. Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions.

2.8.5 Audit Risk

Audit risk is a function of the risks of material misstatement and detection risk. The assessment of risks is based on audit procedures to obtain information necessary for that purpose and evidence obtained throughout the audit. The assessment of risks is a matter of professional judgment, rather than a matter capable of precise measurement (ISA 200:87) Risks of Material Misstatement may exist at two levels:

- the overall financial statement level; and
- the assertion level for classes of transactions, account balances, and disclosures.

Risks of material misstatement at the overall financial statement level refer to risks of material misstatement that relate pervasively to the financial statements as a whole and potentially affect many assertions.

Risks of material misstatement at the assertion level are assessed in order to determine the nature, timing and extent of further audit procedures necessary to obtain sufficient appropriate audit evidence. This evidence enables the auditor to express an opinion on the financial statements at an acceptably low level of audit risk (ISA 200:88).

2.8.6 Conduct of an Audit in Accordance with ISAs

In performing an audit, the auditor may be required to comply with legal or regulatory requirements in addition to the ISAs. The ISAs do not override law or regulation that governs an audit of financial statements. In the event that such a law or regulation differs from the ISAs, an audit conducted only in accordance with law or regulation will not automatically comply with ISAs (ISA 200:94). In summary, same domains of high level of integrity, quality and the importance of the accuracy by the auditor when auditing financial statements are similar with that of the verification of B-BBEE because of the correlation between SASAE and ISAE which subject auditors to relevant ethical requirement principles when conducting verification and auditing respectively.

2.9 VERIFICATION IN THE CONTEXT OF AUDITING

2.9.1 Introduction

This section examined the aforementioned standards, and demonstrates how these standards correlate.

2.9.2 International Standards on Assurance Engagements

The International Standards on Assurance Engagements (ISAE 3000) establish basic principles and essential procedures for professional accountants in public practice (which the ISAE refer to as practitioners) in order to perform assurance engagements other than audits or reviews of historical financial information, which are covered by International Standards on Auditing (ISAs) or International Standards on Review Engagements (ISREs). This ISAE 3000 uses the terms “reasonable assurance engagement” and “limited assurance engagement” to distinguish between the two types of assurance engagement a practitioner is permitted to perform. . The objective of a limited and reasonable assurance engagement is to reduce risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement it forms a negative conclusion by the practitioner (ISAE 300:4).

The B-BBEE Scorecard is determined on the basis of the legislative requirements of the DTI and the applicable B-BBEE Codes of Good Practice and relevant Sector

Codes that comprise the criteria when applied to the information provided by management. Such engagements require the application of assurance procedures to evaluate the information underlying the individual scorecard elements that may consist of historical financial information and other information prepared in accordance with an acceptable financial reporting framework. The B-BBEE approved registered auditor provides a limited assurance conclusion that, based on the work performed, the scores determined for the measured entity's B-BBEE Scorecard and the resultant B-BBEE Status of the measured entity are not materially misstated (IRBA 2012:5).

The SASAE 3502 Assurance Engagement on B-BBEE Verification Certificates and the ISAE 3000 require that both assurance standards and guidance for B-BBEE verification by all approved registered auditors and professional accountant harmonise with the fundamental principles of auditing in terms of the IESBA Code. These principles include, integrity, objectivity, professional competence due care; confidentiality; and professional behaviour.. Furthermore, other pronouncements of the International Auditing and Assurance Standards Board set out International Standard on Quality Control (ISQC) to deal with a firm's responsibilities for its system of quality control for audit and reviews of financial statements and related service engagements (ISQC 2012: 38).

Since B-BBEE verification is considered as a related service engagement, it should be read in conjunction with ISQC (IRBA 2012:4). Consequently, firms are expected to establish and maintain a system of quality control that includes policies and procedures that address each of the six elements, namely: (1) leadership responsibilities for quality within the firm; (2) relevant ethical requirements; (3) acceptance and continuance of client relationships and specific engagements; (4) human resources; (5) engagement performance; and (6) monitoring (ISQC 2012:40). The only difference between the two aforementioned standards is that the ISAE 3000 uses the terms "reasonable assurance engagement" and "limited assurance engagement" to distinguish between the two types a practitioner is permitted to perform, whereas the SASAE 3502 uses only limited assurance engagement.

The following section discussed the notion of competency that integrates academic theories into a unifying framework that can be applied to the B-BBEE verification industry. The section was divided into five parts.

2.10 OVERVIEW OF COMPETENCY

2.10.1 What is a competency?

The competency approach was introduced by Taylor who used a term, 'competency' and suggested to divide works into detailed components. He is famous as the initiator of scientific management in the 1920s, and introduced logical business management (Oh 2007:429). The campaign of modern competency approach was first discussed and assessed by McClelland in the early 1970s. Competencies, or individual characteristics were recognised as significant predictors of employees' performance and success, and were equally important as an individual's academic aptitude and knowledge content, as indicated by tests scores or results (Lucia & Lepsinger 1999; McClelland 1973).

Spencer and Spencer (1993:41) define competency as an individual's inner traits to cause effective and outstanding performance based of criteria in a specific circumstance or job. The core of competency is composed of an invisible area, such as motivation, characteristics, and self-perception, while visible areas, such as knowledge and skills constitute the upper part of competency structure. Motivation, characteristics, and self-perception, offer momentum to activate knowledge and skills. Individual traits, composed of motivation, characteristics and self-perception, build personal intention to affect behaviour (skills), and the behaviour results in work performance (Kim, Kim, & Choi 2011:1).

A competency is the capability of applying or using knowledge, skills, abilities, behaviours and personal characteristics to successfully perform critical work tasks, specific functions, or operate in a given role or position. Personal characteristics may be mental/intellectual/cognitive, social/ emotional/attitudinal, and physical/psychomotor attributes necessary to perform the job (Dubois 1993; Lucia & Lepsinger 1999). Boyatzis (1982:17) and Goff (1999:6) extend this definition to include both internal and external constraints, environments, and relationships related to the job or occupation. Motivations and perceptions of the work and one's

talent are also viewed as influential in competently and successfully performing in a position (Boyatzis, 1982; Fulmer & Conger 2004; Gangani, McLean & Braden 2006; Sandberg 2000).

Boyatzis (1982:13) suggested that a job competency is an underlying characteristic of an employee (i.e. a motive, trait, skill, aspects of one's self-image, social role, or a body of knowledge), which results in effective and/or superior performance in a job. Thus, an individual job-related competency is the underlying set of behavioural patterns of an employee related to effective and/or superior work performance, acting both at an individual and collective level (effective/superior performance both in solitary and inter-personal work), which provide the organisation in which they are implemented with a sustainable, competitive advantage.

2.10.2 What are competencies?

Bartram (2004:246) defines competencies as sets of behaviours that are instrumental in the delivery of desired results or outcomes. Competencies therefore capture the repertoire of procedures, skills and abilities, attitudes, beliefs and values, dispositions and personal characteristics, self-perceptions, and motivations that enable a range of work demands to be met effectively (Rubin 2007:13). Competencies most often end up as being backward-looking rather than future-oriented with respect to strategy and organisational change (Torrington, Hall & Taylor 2002). Sparrow (1997:4) views 'the use of organisational competencies in personnel selection and assessment', and defined competencies as people's behavioural repertoires, i.e. their sets of behavioural patterns, which are related to work performance and distinguish excellent from average performers. Further, according to Athey and Orth (1999:26), a job-related competency is a set of observable performance dimensions, including individual knowledge, skills, attitudes, and behaviours, as well as a collective team process, and organisational capabilities that are linked to high performance, and that provide the organisation with a sustainable competitive advantage. In other words, visible competencies such as knowledge and skills may be somewhat technical competencies required by the job, whereas hidden competencies, such as self-concept, traits and motives are behavioural competencies that drive an individual's performance in the job.

Boyatzis (1982:45) states that motive and trait competencies have the most direct impact on self-concept and also have an impact on skill. In summary, competencies are specific personal qualities that are casually related to effective and/or superior performance. In this regard, competency can be identified to collect behaviour indicators, and competency models can be defined by the specific competency combination including knowledge, skills, and characteristics to effectively perform a role in an organisation.

2.10.3 The difference between knowledge and skills (competence) and competencies

Competence is about mastery in relation to specified goals or outcomes, which requires the ability to demonstrate mastery of specific job-relevant knowledge and skill. The measurement of competence at work involves the assessment of performance in the workplace against some pre-defined set of occupational or work-related knowledge and skill standards. These define the performance criteria associated with competence in the workplace. Statements of of competence are therefore statements about an individual's standard of achievement in relation to some defined set of work performance standards or requirements. Competence, in relation to occupational standards based on qualifications, has been defined as the ability to apply knowledge, understanding and skills, which perform to the standards required in employment. This includes solving problems and meeting changing demands (Beaumont 1996:13).

This reflects the common notion that competence is about the application of knowledge and skills judged in relation to some standard or set of performance standards. Competence, therefore, relates to performance or outcomes, and involves the description of tasks, functions or objectives. Competencies, on the other hand, relate to the behaviours underpinning successful performance; what it is people do in order to meet their objectives; how they go about achieving the required outcomes; what enables their competent performance. The difference between competence and competencies is illustrated in Table 2.3 below:

Table 2.3 The difference between competence and competencies

Competencies	Competency
Competencies are “behavioural repertoires”.	Competency is a state of attainment.
Competencies can be used in back-ward looking way concurrently to predict what they should be able to achieve.	Competency is about achievement and is always back-ward looking.
People demonstrate competency by applying their knowledge and skills in a goal-directed manner within a work setting.	Competence is about where the person is now and not where they might be in the future.

Source: Professor Dave Bartram, 2006:3

A competency may comprise knowledge, a single skill or ability, a personal characteristic, or a cluster of two or more of these attributes. Competencies are the building blocks of work performance. The performance of most tasks requires the simultaneous or sequenced demonstration of multiple competencies (Hoge, Tondora, & Marrelli 2005: 534).

2.10.4 Competency Models

Different approaches and methods of competency modelling have been developed and are available today. All competency models describe the knowledge, skills and attributes required for the effective performance of a job. There are widely varying definitions and elaborate descriptions of competency models. Some models define competency in terms of tasks while others in terms of behaviour. Some focus on knowledge element and skills dimensions, while others emphasise psychological attributes (Rajasekharan 2002:85). A competency model is used as a human resource tool for selection training, development, evaluation, and succession planning (Kim, Kim, Oh & Choi 2011:2). Competency modelling is defined as a process to decide employee's skills, competency and behaviour in order to accomplish the company's purpose Gebelein, 1996:14 cited in Kim *et. al.*, 2011:2). Harris (1998) recognised it as a competency deciding process to affect specific

competency duties or family job, while MIT (1996) notifies it as an identifying process to achieve a designated role successfully. Competency modelling therefore is a decision-making tool to investigate major capabilities, which are necessary for completing specific duties and roles in order to accomplish an organisation's purpose, and a process of activities that define knowledge, skills, attitude, and intelligence strategy for maximising expected products (McLagan 1996:19).

Competency models tend to focus on what managers currently do rather than what is needed to perform effectively in the future (Antonacopoulou & Fitzgerald 1996:19), something that jeopardises the potential of competencies to act as levers for implementing change (Martone 2003:23). The need for a forward-looking and proactive approach to competency modelling, i.e. to the process of identifying and describing job competencies in narrative form for an identifiable group of jobs (Rothwell & Lindholm 1999:105), is driven by the increasing pace in strategy development and implementation (Athey & Orth 1999:90). According to Spencer and Spencer (1993:18), competency modelling includes four steps. First, specification about K (knowledge), S (skills), and A (attitude) of competencies is needed. Second, it is necessary to define each competency for modelling. Third, competencies have to be classified with K, S, and A in order to develop curriculum and task systematically. Fourth, context and situation-specific levels are set to be clearly defined in K, S, and A. Table 2.4 shows a competency modelling framework:

Table 2.4 A competency modelling framework for e-Learning Designers in Korea

External/Internal Factors	Concreteness of the competency target	Target's coverage
<p>External Factors</p> <p>(Action factors)</p>	<p>Type A</p> <p>Generally described according to proficiency in the core common factors. Supposed that only the level of proficiency, not the content, varies as in majority of the cases the competency itself is the S strategy. However, there may be cases in which the content itself changes, not the level of proficiency.</p>	<p>Type B</p> <p>Proficiency levels of the core common factors are included, but other factors are also diversely included.</p>
<p>Internal factors (non-action factors)</p>	<p>Type C</p> <p>There may be no core common factor. Many cases of capacities that have strong attitudinal aspects, fixed perception and strategic aspects, therefore there may not be factors that could be categorized in K.</p>	<p>Type D</p> <p>There may not be core common factor. In majority of the cases, there are many capacities that are emotional or abstract, so may not be cases that could be categorized in K or S.</p>

Source: Kim, Kim, Oh & Choi (2011:432)

It should be not surprising that views on competency are diverse. First, the competency should take into consideration not only job descriptions, but also best practices and recent trends in the industry as well as the organisation's own strategy (Martone 2003). Second, the competency framework should consist of a set of "generic" competency areas, with each competency area to be composed of a limited number of competencies that would be relevant, to different degrees for every concerned job position (Lucia & Lepsinger 1999). The competency areas would guarantee some continuity and account for the path-dependency in the relation between the organisation and competencies, while detailed competencies would allow for more rapid adaptation and flexibility in the model. Third, the set of required competencies would then develop into a competency profile (Boyatzis 1982), indicating the detailed job-related competency characteristics specific for that position.

Fourth, in formulating the individual, job-related competency profile, functional as well as behavioural characteristics of the job should be taken into account, referring to both knowledge- and skill-based competencies as well as behavioural ones that should characterise the job-holder (Woodall & Winstanley 1998:45). The behavioural view of competency needs to be contrasted with the earlier trait-based approach of Boyatzis (1982:18). He defines job competency as an "underlying characteristic of a person which results in an effective and/or superior performance of a job, it may be a trait, motive, skill, aspect of one's self-image or social role, or body of knowledge that he or she uses". Boyatzis' original definition is clear in identifying competency as an underlying characteristic (rather than a collection of behaviours), but is less clear about the relationship between competencies as constructs and psychological constructs, such as motives, traits, skills and so on.

Warr and Connor (1992:54) noted in their discussion of approaches to job competence that Boyatzis' model of personal competencies is quite close to traditional person characteristic assessment models, while more recent competency oriented interventions place higher emphasis on establishing and describing the requirements of the job situation. Boam and Sparrow (1992:18) also take a trait oriented view on competencies, while also recognising the need to cater for role and career stream, or occupational competencies.

Woodruffe (1991:38) states that competencies are indeed the same as aspects of personality, such as traits and motives, but those terms are so poorly understood and agreed on; to say that competencies are, for example, traits, risks competencies inheriting the confusion that surrounds traits. He then goes on to move away from the trait-based definition and present one more in line with that of the present authors, that a competency is the set of behaviour patterns that the incumbent needs to bring to a position in order to perform its tasks and functions with competence. Woodruffe, suggests excluding components of work performance such as technical skills, knowledge and abilities from the competencies definition. The following section will discuss the universal competency framework for the purpose of differentiating it from the competency model, which is used as a human resource tool for selection training, development, evaluation, and succession planning.

2.10.5 The Universal Competency Framework

This is a single underlying construct framework that provides a rational, consistent and practical basis for the purpose of understanding people's behaviours at work and the likelihood of being able to succeed in certain roles and environments. The Universal Competency Framework supports a more structured approach that is evidence-based (Bartram 2005:1). Three terms are relevant to the Competency Framework and need to be fully understood namely:

- *Competency potential*, which is seen to derive from individual dispositions and attainments;
- *Competency requirements* or the demands made upon people to display certain behaviours and not to display others. These requirements can be both facilitators of and barriers to effective performance in the workplace. They can also be explicitly encouraged through line manager instruction, or implicitly through organisational norms and values; and
- *Results*, which are the outcomes of behaviour, typically assessment through performance reviews and appraisals.

It was evident that the Universal Competency Framework focuses on a structured approach that is evidence-based for the purpose of understanding people's

behaviour at work whereas a competency model is used to decide employee's skills, competency and behaviour in order to accomplish the company's purpose. Now with the notable variance between the competency model and framework, we can discuss with the competency models to meet industry needs.

2.10.6 Building Blocks for Competency Models

The industry model frameworks are based on the competency model building blocks which are modified to meet the industry's needs. The "Building Blocks" Model has each building block as a competency area defined by key behaviours. The building blocks are grouped by type and are arranged in tiers. The upper tiers represent the specialisation that occurs within specific occupations within an industry. Each competency is described by key behaviours or by examples of the critical work functions or technical content common to an industry (PDRI 2005:13). The next section will explore Five Tiers in more detail in order to understand the concept of blocks representing the skills, knowledge, and abilities essential for successful performance in industry.

Tier 1: Personal Effectiveness Competencies

Competencies included in this domain represent motives and traits as well as interpersonal and self-management styles, such as personal effectiveness. Competencies include interpersonal skills, integrity, professionalism, initiative, dependability and reliability, and willingness to learn.

Tier 2: Academic Competencies

This domain contains critical basic skills primarily learned in an academic setting, as well as cognitive functions and thinking styles. They serve as the foundation for occupation-level and industry-level technical competencies. Academic competencies include reading, writing, mathematics, science and technology, communication – listening and speaking, critical and analytic thinking, active learning, and basic computer skills.

Tier 3: Workplace Competencies

The next competency domain included in the model is workplace competencies. Competencies included in this domain represent those skills and abilities that allow individuals to function in a work setting. As with the academic competencies, these are generally applicable to a large number of occupations and industries on a national level. The competencies in this domain include: teamwork, adaptability/flexibility, customer focus, planning and organising, creative thinking and problem solving and decision making, working with tools and technology workplace computer applications, scheduling and coordinating checking, examining and recording, and business fundamentals.

Tier 4: Industry-Wide Technical Competencies

Competencies included in this domain represent the cross-cutting knowledge, skills, and abilities needed by workers within an industry. These remain undefined in the Building Block Model. The competency developers works with business and industry leaders, educators, and workforce professionals to specify, define and validate the competencies for each industry.

Tier 5: Industry-Sector Technical Competencies

At the next level in the model are the Industry-Sector Technical Competencies. Competencies included in this domain represent the knowledge, skills, abilities and other characteristics specific to an industry segment-- e.g., the chemical manufacturing sector of the advanced manufacturing industry, or a technical specialty--e.g., automation or mechanics.

2.11 DEVELOPING INDUSTRY COMPETENCY MODELS

The objective for creating industry competency models is to provide resources that can keep pace with changing technology and reflect the various requirements of specific regions or businesses. There are different types of competency models. Rothwell & Lindholm (1999:93) reviewed the literature on competency modelling approaches and identified three major approaches, namely: the borrowed approach; the borrowed-and-tailored approach, and the tailored approach. In this section the

different types of competency models are examined. The following section describes the process of developing a thorough competency modelling process as well as how, in collaboration with industry leaders, used existing resources are developed and validated by industry and the competency modelling can be achieved.

2.12 A PROCESS TO DEVELOP COMPETENCY MODELS

In this section two processes of developing competency models were discussed.

2.12.1 Hoge, Tondora, & Marrelli - Process of Developing Competency Model

Hoge, Tondora and Marrelli (2005:539) suggested that a thorough competency modelling process has seven steps. Each of these is described below. While presented in a logical sequence, in practice, the process can be somewhat less orderly due to the interrelationship among these steps.

Step One: Defining the Objectives

The first and most important step in a competency modelling effort is to clearly and specifically define the objectives. There are four essential questions to be answered in this process.

- a) Why is there a need to develop a competency model? What is the unit of analysis? Is the objective to identify the competencies required for effective performance for a job family, a specific job, or a more narrow function?
- b) Will the results apply to a single work group, a department, or an entire organisation? Or will they apply to a consortium of several organisations, or all the members of a profession?
- c) What is the relevant timeframe? Does the concern with the competencies need to be addressed now, or is it necessary to identify these competencies in the future?
- d) How will the competency model be applied? Will it be used for training and development, certification, compensation, rewards and recognition, or career

planning? Many of the decisions made about methodology and the resulting competency model will depend on the intended applications.

Step Two: Obtain the Support of a Sponsor

A sponsor is necessary for each competency modelling project to provide the information, resources, support, and authorisation required to ensure its success. A key element of the support that the sponsor will provide involves gaining the commitment and participation of the employees, managers, professionals, or others from whom data will be collected. Thus, sponsors must have influence and jurisdiction over the relevant units of analysis, and might be a chief executive, department head, programme manager, or the board or management of a professional association.

Step Three: Develop and Implement a Communication and Education Plan

A key element of success in any competency project is convincing those who will participate or be affected of its value. Buy-in, commitment and the cooperation of the stakeholders are vital. Assess the probable level of support that can be expected from each individual or stakeholder group by informally classifying them into one of three categories: (1) Committed. These stakeholders will participate willingly in data collection or pilot testing, provide funding or other resources, and will influence others to support the study. (2) Compliant. These stakeholders will do what they are asked, but will not go beyond what is required of them. (3) Resistant. Active resisters may strongly oppose the study by refusing to cooperate with requests to supply information or people, delaying requested actions, or even attempting to stop the study. Passive resisters may outwardly appear to comply with project requirements, but actually attempt to undermine the study (Lucia & Lepsinger 1999).

Step Four: Plan the Methodology

In this step, the methodology is designed that will lead to development of the competency model. This involves selecting the sample of individuals who will contribute data for the project as well as the methods to be used for obtaining the data.

Step Five: Validate the competency model framework

To ensure acceptance by the target community of users, the behaviours associated with the competencies identified in the framework should be those that are important for successful job performance. The competency model framework should be distributed widely to industrial associations and their membership.

Step Six: Finalise the model framework

Industry models are available on the Competency Model Clearinghouse Web site. The framework for an industry model is displayed as a graphic representation of the content building blocks customised to the industry.

2.12.2 COMPETENCY FRAMEWORK FOR AUDITORS

The IRBA has developed a new Competency Framework for auditors for exposure, which outlines the minimum level of knowledge and prescribed curriculum needed to effectively operate and maintain an audit function (IRBA 2013:1). Divided into four buckets, each of them below includes a breakdown of staffing areas found in the document. The competency framework will also be used by the IRBA as part of its continuous monitoring process (IRBA 2013:1). The following sections described elements of the competency framework as suggested by the IRBA:

2.12.3 Competence and capabilities

Competence may be defined as the capability to complete a specified task(s) effectively. The demonstration of competence is dependent upon the successful application of a number of capabilities that are required to be employed in order to complete the task(s). Only upon successful employment of the capabilities may the candidate be said to be competent.

2.12.4 The learning continuum

The achievement of competence takes place along a continuum of learning. In the case of a registered auditor, such learning commences with the recognised academic programme. As a candidate proceeds further along the continuum the

complexity of the capabilities required demonstrating competence advances, and a candidate's competence continues to expand.

2.12.5 Technical and non-technical competence

The progression of competence is not confined to technical capabilities alone. Implicit in the learning continuum is the notion of lifelong learning. As a candidate begins to advance in technical capabilities and demonstrate technical competence, she/he begins to undertake more complex tasks and assume more responsibility. The demonstration of competence enables a candidate to advance to new learning contexts involving more complexity and demanding higher standards of performance. In advancing technical skills a candidate is also required to develop non-technical skills to support the more complex situations. Other capabilities such as self-management, leadership and communication are advanced.

Technical and non-technical capabilities appear to advance in a more or less parallel fashion along the learning continuum. The achievement of higher standards of competence drives progression along the same learning continuum into new learning contexts. The demonstration of competence in one context provides a suitable foundation for the development of more complex capabilities in a new learning context.

2.12.6 Distinct points of competence in the learning continuum

The IRBA has identified three distinct points of competence that, when demonstrated, enable one to advance to new learning contexts, thereby providing a platform for further development (IRBA 2013:2). The following table depicts three distinct points of competence:

Table 2.5 The learning continuum relative to a registered auditor

Recognised academic programme	Recognised training programme	Professional specialist experience
Competence developed Core competence	Competence developed Professional competence	Competence developed Specialist competence
Capabilities developed Technical and non-technical capabilities	Capabilities developed Technical and non-technical on-the-job capabilities	Capabilities developed Further development of professional capabilities (technical and non-technical)
Assessment Recognised core assessment programme	Assessment Recognised professional assessment programme and on-the-job assessment.	Assessment Record of professional experience

Source: Independent Regulatory Board for Auditors 2013

The competence developed in the academic programme provides a foundation upon which professional competence can be developed. It is through on the job training and comprehensive learning programmes that professional attributes, characteristics and attitudes are developed and through practices and behaviours becomes aware of and complies with the standards of competence of the profession. The achievement of competence takes place along a scale of learning, and for this reason it is important that the goals and objectives of education are met i.e. after a training session new skills should be acquired. The following section focuses to classification of education goals and objectives.

2.12.7 LEARNING TAXONOMY

Mental or cognitive models are powerful thinking tools or metaphors. When mental models are understood they can enhance communication, teamwork and decision-making, which can again enhance effective problem solving. Beginning in 1948, a group of educators undertook the task of classifying education goals and objectives, with the intention of developing a classification system for three domains (Lumsgaine et. al., 1999:49), namely:.

- a) Cognitive domain (Intellectual capacity, mental skills, i.e., knowledge).
- b) Affective domain (growth in feelings, emotions, or behaviour, i.e., attitude).
- c) Psychomotor domain (manual or physical skills, i.e., skills).

2.12.8 Cognitive Domain- Blooms' Taxonomy

Work on the cognitive domain was completed in 1956 and is commonly referred to as Bloom's Taxonomy of the Cognitive Domain (Engelhart, Furst, Hill & Krathwohl, 1956). Bloom identified six levels within the cognitive domain, from the simple recall or recognition of facts, as the lowest level, through increasingly more complex and abstract mental levels, to the highest order which is classified as evaluation. These are namely: (1) Evaluation (2) Synthesis (3) Analysis (4) Application (5) Comprehension and, (6) Knowledge.

Bloom's Taxonomy is designed to be a classification of behaviours which represent the intended outcomes of the educational process. It is assumed that essentially the same classes of behaviour may be observed in the usual range of subject-matter content of different levels of education domain (Engelhart et. al., 1956).

2.12.9 Affective Domain - Krathwohl's Taxonomy

Bloom's Taxonomy second domain, the affective domain, advocates this structure and sequence for developing attitude, also now commonly expressed in personal development as 'beliefs'. Krathwohl's affective domain taxonomy is perhaps the best known of any of the affective taxonomies. It is ordered according to the principle of internalisation, which refers to the process whereby a person's affect toward an

object passes from a general awareness level to a point where the affect is 'internalised' and consistently guides or controls the person's behaviour (Seels & Glasgow 1990:28).

2.12.10 Psychomotor Domain

Various people have since built on Bloom's work, notably in the third domain, the 'psychomotor' or skills such as Simpson and Harrow, which are described below. The psychomotor domain includes physical movement, coordination, and use of the motor-skill areas. Development of these skills requires practice and is measured in terms of speed, precision, distance, procedures, or techniques in execution. Anita Harrow's taxonomy for the psychomotor domain is organised according to the degree of coordination including involuntary responses as well as learned capabilities. Simpson's taxonomy is demonstrated by physical skills: coordination, dexterity, manipulation, grace, strength, speed; actions, which demonstrate the fine motor skills such as use of precision instruments or tools, or actions which evidence gross motor skills, such as the use of the body in dance or athletic performance (Gronlund 2000:40).

This taxonomy of learning can be thought of as the goals of training, i.e., after a training session new skills, knowledge, and/or attitudes should be acquired (Lumsdaine *et. al.*, 1999:49). It is quite obvious that qualifications frameworks can play an important role in the transformation of an education and training system, provided that they are seen as a platform for communication and coordination rather than an arena of contestation and confusion (Parker & Walters 2008:77).

2.16 CONCLUSION

The chapter reviewed literature in the areas of BBEE policy framework, competency models and frameworks. The concept of training needs assessment and the role of competencies, skills, knowledge, and attitude on performance was also highlighted. The chapter clarified that competencies relate to how knowledge and skills are used in performance, and how knowledge and skills are applied in the context of some particular set of job requirements. Also, that the assessment of knowledge and skills is quite different from the assessment of competencies,

knowledge and skills are job or occupation specific, and the domain of knowledge and skills across the whole world of work is potentially limitless.

Furthermore, the development and application of competency models as a proven approach for investing in human resources in order to achieve a more effective and productive workforce in the industry was discussed. The chapter also argued that since the vast majority of expenditures for B-BBEE compliance are on verification agencies and approved registered auditors, there is a compelling rationale for using a competency-based approach for the training and development of all segments of the behavioural in the B-BBEE verification industry. The next chapter discusses the research design and methodology employed in the study.

Chapter 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

As discussed in the literature section of the study, the major investigations revolves around developing a competency framework for the B-BBEE verification agencies. A competency framework is a detailed, behaviourally specific description of the skills and traits that employees need to be effective in a job (Mansfield 1999:7). In applying the competency approach, it is more important to consider whether the skills, abilities, or knowledge can be integrated with certain values and attitudes towards competence in performing the job roles rather than the mere possession of these component characteristics (Yan Man 2006:312). Mansfield (1999:401) shows that competency relates to characteristics that results in effective performance. These are variously defined in terms of those essential personal traits, skills, knowledge and motives of the employee that are related to superior performance (Dainty, Cheng & Moore 2003:878). The literature considered so far has identified the difference between knowledge and skills (competence) and competencies. Since, an auditing model was adopted as a framework for the B-BBEE verification process (Jack, 2007:78), the idea of verification and auditing was also discussed in the literature section.

The aim of this chapter is to explain the research methodology followed in the empirical part of the study. In Chapter 1, the research problem and the objectives were determined in detailed. This was followed by Chapter 2 with the literature review addressed. This chapter will discuss the research problem, objectives and hypothesis of the study. The empirical part of this study comprises the following methodological aspects:

3.2 IDENTIFYING THE PROBLEM AND DETERMINE THE RESEARCH OBJECTIVES

The problem to be addressed in this study is:

Although there has been much progress in the legislative front to transform the South African economy, not much has been done to develop the capacity of the

implementers of the legislation with the knowledge and competencies to verify entities in accordance with the stipulations of the B-BBEE Act. 53. 2003, the B-BBEE Generic Codes of Good Practice and Sector Codes. After identifying the research problem one needs to develop research objectives, the primary research objective is to develop the B-BBEE competency framework for verification agencies. After identifying the research problem and objectives one needs to develop hypothesis that resulted from the literature review.

3.3 HYPOTHESIS STATEMENT

In hypothesis testing the objective is to examine whether the particular proposition concerning the population is likely to hold water or not. Hypothesis therefore is tentative answer to research questions (problems). Hypothesis represent informed “suppositions” made as a basis for reasoning that are related to the topic, which are still to be verified or proved wrong by means of logical testing as well as analyses of data and information (Auriacombe 2001:48). A hypothesis is made without assumption of its truth or as a starting point for investigation. The alternative hypotheses that resulted from the literature review and research objective are explained below. Figure 1. provides a summary of the hypotheses used in the study.

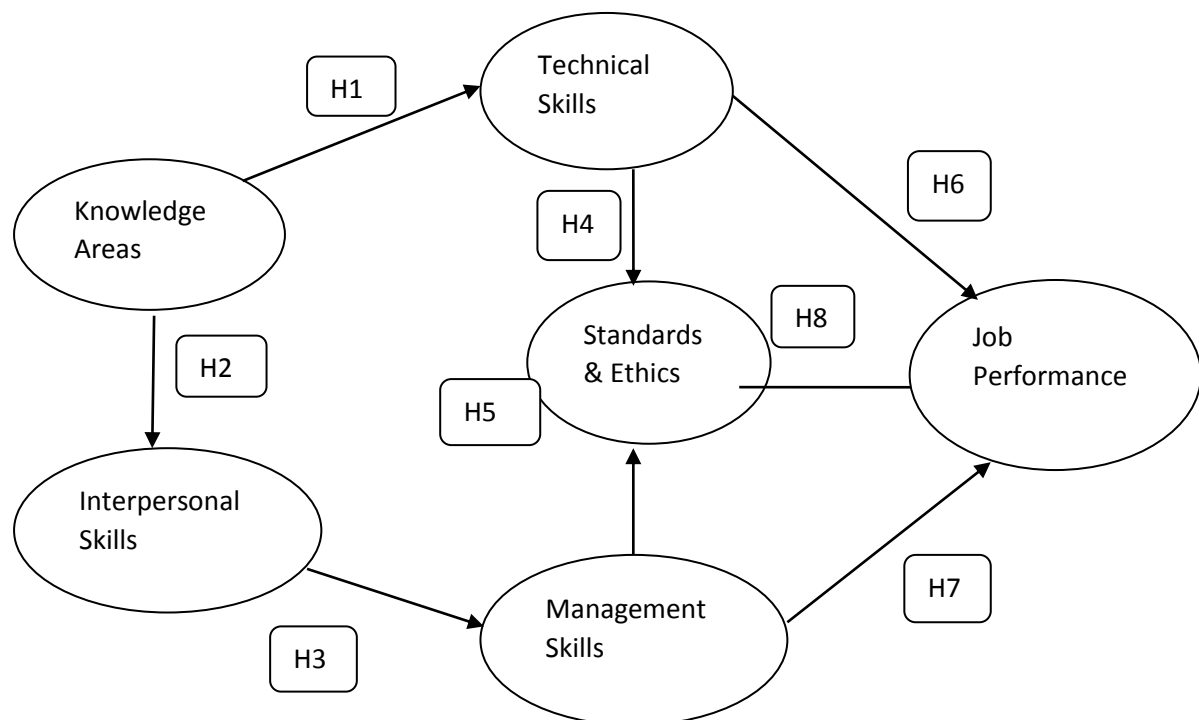


Figure 3.1 Conceptual Model

HYPOTHESIS 1

Competencies included in this domain represent the knowledge, and abilities and other characteristics that are specific to an industry segment. With knowledge the individual should have knowledge and skills in specific areas to comprehend the fundamental relationships between legislative related issues and other legislation framework applicable (IIA 2010:17), whereas technical skills contains critical basic skills primarily learned in an academic setting, as well as cognitive functions and thinking styles. They serve as the foundation for occupation-level and industry-level technical competencies. Technical skills also refer to the individual undertaking and successfully completing courses which impart knowledge of effective skills. The individual will have knowledge and investigative skills to detect and provide objective decisions (IIA 2010:7). Therefore it can be hypothesised that:

H1: There is a positive relationship between knowledge areas and technical skills.

HYPOTHESIS 2

Interpersonal skills suggest that competencies included in this domain represent motives and traits, as well as self-management styles, such as personal effectiveness competencies which include, leadership and teamwork, change management, professionalism, initiative, dependability and reliability, and willingness to learn (IIA 2010:11). Therefore it can be hypothesised that:

H2: There is a positive relationship between knowledge areas and interpersonal skills.

HYPOTHESIS 3

A management skill includes competencies frequently required for supervisory and managerial occupations. They represent the additional knowledge and skill areas that a supervisor or manager should possess in addition to those required in the industry or occupation, such as interpersonal skills which influence a comprehensive and well-rounded set of behaviours underpinning the role of a competent verification practitioner across different job levels. Therefore it can be hypothesised that:

H3: There is a positive relationship between interpersonal skills and management skills.

HYPOTHESIS 4

Technical skills also refer to the individual undertaken and successfully completed courses which impart knowledge of effective skills. The individual will have knowledge and investigative skills to detect and provide objective decisions (IIA 2010:7). At the next level in the model are the standards and ethics that are specific to an industry segment i.e. B-BBEE verification and audit or speciality e.g., accountant. It is also used to describe the ethics and principles of integrity. The B-BBEE verification practitioner or an auditor is expected to uphold the audit's code of ethics in every audit and verification activity. The application of a range of appropriate quality models and frameworks demonstrate a basic knowledge of quality framework including relevant standards (IIA 2010:20). Therefore it can be hypothesised that:

H4: There is a positive relationship between technical skills and standards and ethics.

HYPOTHESIS 5

Standards and ethics influences the competent practitioner to demonstrate that information is kept confidential, verification work is only undertaken where the verification analyst is competent to do so, conflicts of interest are disclosed, and the analyst acts objectively in every verification assignment. The hypothesis of the study determined to a large extend the kind of research design that is most suitable for the study and forms the basis for the next section. Therefore it can be hypothesised that:

H5: There is a positive relationship between standards and ethics and management skills.

HYPOTHESIS 6

Job performance is achieved when an individual fulfils specific job responsibilities. The competent practitioner can only meet performance standards when he has

undertaken and successfully completed courses which impart knowledge of effective skills. Therefore it can be hypothesised that:

H6: There is a positive relationship between job performance and technical skills.

HYPOTHESIS 7

A management skill includes competencies frequently required for supervisory and managerial occupations. The individual at management level can only successfully achieve management job responsibilities and produce high quality management when she/he possesses such management skills. Therefore it can be hypothesised that:

H7: There is a positive relationship between job performance and management skills.

HYPOTHESIS 8

Standards and ethics influence the competent practitioner to demonstrate that the analyst acts objectively in all every verification assignment. The hypothesis of the study determined to a large extend that the job performance is only achieved when the practitioner upholds standards and ethics applicable when conducting B-BBEE verification service. Therefore it can be hypothesised that:

H8: There is a positive relationship between standards and ethics and job performance.

3.4 RESEARCH DESIGN AND METHODOLOGY

The term methodology refers to the system of methods and principles used in a particular area of study (Oxford Dictionary 2012). A research design is a set of guidelines and instructions on how to reach the goal that you have set for yourself. These guidelines and instructions should be followed when addressing the research problem (Mouton 1996:108). According to Singleton and Straits (2006:589), a research design consists of a clear statement of the research problem as well as plans for collecting, processing and interpreting the observations intended to provide answers to the research question. This research followed a quantitative approach.

Quantitative research tools are systematic and structured devices that aim to obtain information from responses in a direct and open manner with easily quantifiable research tools and instruments with a potentially high degree of accuracy (Du Plessis & Rousseau 2007:21).

The aim of this section was to provide some insights of the methods that were used in gathering information necessary for the empirical part of this study. The universe and census inquiry will first be discussed. The method of data collection and questioner design was discussed including discussion of the final part of the section together with the data processing, analysis and evaluation of the results. After designing a research plan it was necessary to indicate which respondents were included in the research study.

3.5 TARGET POPULATION

According to Babbie (2012:115), the population for a study is that of a group (usually of people) about whom conclusions are drawn. It can also be described as the entire compilation of elements that the researcher aspires to draw conclusions from (Cooper & Schindler 2003:179). In this study the target population comprised all B-BBEE verification practitioners.

After determining the target population of the research study, a list containing all B-BBEE verification agencies was obtained.

3.6 CENSUS INQUIRY

A complete enumeration of all the items in the 'population' is known as a census inquiry. It can be presumed that in such an inquiry, when all items are covered, no element of chance is left out and the highest accuracy is obtained (Kuma 2005:121). In this research, because of the known small potential population it was feasible to undertake a census. There are about 300 verification practitioners employed by 80 verification agencies. All of these practitioners constituted a 'universe' or 'population'. All 80 verification agencies are listed on the SANAS website. Questionnaires were e-mailed to all accredited verification agencies (See annexure A). The next section will explain the primary data collection method used to collect data from the respondents.

3.7 METHOD OF DATA COLLECTION

Data collection refers to the way in which data was captured in the field setting. According to Martins *et. al.*, (1996:122), primary data is obtained through qualitative and quantitative methods. Qualitative research methods intend to gather in-depth, detailed information through methods such as in-depth interviews, projective techniques and focus groups (Welman *et. al.*, 2005:188). Quantitative research methods focus on gathering a large amount of information through surveys such as mail, telephone and personal interviews (Dup Plessis & Rousseau 2005:28).

Further, quantitative methods are systematic and structured, and aimed at obtaining information from respondents in a direct, open manner. Results obtained from these methods were easily quantifiable and have a potentially high degree of accuracy (Du Plessis & Rousseau 2005:22). In this study the quantitative method using questionnaires was used as the method of data collection. According to Leedy and Ormrod (2010:23), the advantages of using a questionnaire is that firstly, it can be sent to a large number of people. Secondly, the participants can respond to questions with the assurance that their responses will be anonymous. The questions from a questionnaire were fully structured, meaningful and interesting to the respondent, with a cover letter, title, clear and concise instructions on how to complete the questionnaire.

The following section explained the quantitative method used in the study.

3.7.1 Quantitative method: survey

A quantitative research approach focuses on objectively observable, measurable and calculable phenomena and employs mainly a narrow range of technical statistical and mathematical approaches and techniques to gather and process research data, for example, designs, games and simulations (Welman, Kruger & Mitchell 2005:8; Webb & Auriacombe 2006:593). According to Babbie (1992:261), there are many different survey methods, such as personal interviews, telephone interviews, and mail surveys. They are summarised as follows:

This study focuses on a self-administrated questionnaire. De Vos (2000:297) posits that self-administrated surveys allow respondents to complete the questionnaires

themselves. Data collection through such written communication requires respondents to record their response to the research questions in writing. Although this method reduces cost as no interviewers are needed, there are some disadvantages, such as a high no-response rate and respondents not understanding some questions. Preventative measures were followed to minimise the problems associated with self-administrated questionnaires by acting as an interviewer. This is an example of a typical structured interview with questionnaire that consists of questions with closed response categories. The response rate of this study was moderate as 87 of 200 questionnaires were completed, representing a response rate of 43.5%. The data collection instruments, namely a questionnaire, which was used in the self-administrated interview, was explained in the section below.

3.7.2 Design of the data collection instrument

As mentioned in section 3.6 the questionnaires were used as the main basis for the survey in this study. According to Leedy and Ormrod (2010:23), the advantages of using a questionnaire is that firstly, it can be sent to a large number of people. Secondly, the participants can respond to questions with the assurance that their responses will be anonymous. Lamb *et. al.*, (2004:262) state that by arranging the questions logically and observing other sequencing rules, the researcher enhances the standard of the interview, helps the interviewer and induces a logical flow through the questions. The questionnaire consisted of seven research variables and measurement items. It was adapted from the Internal Auditor Competency Framework (2010).

3.8 VALIDITY AND RELIABILITY

A good and fair measurement tool must always adhere to the criteria of being reliable and valid. Reliability is concerned with estimates of the degree to which a measurement is free of random or unstable errors. In most contexts the notion of consistency emerges. Reliability is a necessary contributor to validity, but is not a sufficient condition for validity (Cooper & Schindler 2001:215). Internal consistency was checked using factor analysis. For the purpose of determining the reliability of this study, Cronbach alpha a testing will be used if the value is at least 0.70 (Fouche & Delport 2002:106). Reliability is a necessary condition for quality measurement,

but not sufficient if done alone. Before accepting and using any measure, one must also ensure its validity.

According to Terre Blanche and Durrheim (2002:83), validity means the degree to which the instrument measures what it is meant to measure and that validity takes different forms. Factor analysis was used to check the validity of the measurement items and the internal consistency of the research constructs. When a satisfactory factor solution has been derived, some meaning is assigned to each factor, which involves substantive interpretation of the pattern of factor loading for the variable (Hair, Anderson, Tatham & Black 1995:397). While all significant factor loadings were usually used in the interpretation process, it is suggested that as a rule of thumb, one should ignore variables with loadings of less than 0.50. The validity of the measurement instrument used in this study was supported by the above-mentioned subjective arguments and judgements.

3.9 DATA COLLECTION

Before the data collection could proceed, a request for participation had to be obtained in a form of a letter from the Vaal University of Technologies' Supervisor and Head of Logistics (See annexure B). On 06 September 2013, a request for a participation letter together with the questionnaire was e-mailed to all accredited verification agencies. The researcher gave a brief description of the project, reasons for conducting it and the timeframe allocated for it. A total of 300 questionnaires were then sent to the participants.

3.10 DATA ANALYSIS

This section will explain the two types of data analysis.

A statistical analysis is performed in order to infer some properties of the population from the sample results (Bless & Achola, 1990 in Jacob 2008:14). It is necessary to disaggregate the mass of collected qualitative data as you collect it into meaningful and related parts or categories (Saunders, Lewis & Thornhill 1997, cited in Jacob 2008:15).

In this study the researcher used the descriptive analysis. Data from this study can be classified as nominal as well as interval data. Factor analysis was used to check the reliability of the measurement items and the internal consistency of the research constructs. Descriptive statistics is the method used to describe characteristics of a population or a sample. It therefore aims at describing data by investigating the distribution of scores for each variable and by determining whether the scores on different variables are related to each other (Terre Blanche & Durrheim 2002:101).

In this study, as previously mentioned, an MS Excel spreadsheet was used to transfer the codes from the questionnaires onto the computer, and confirmatory factor analysis and Smart PLS statistical software was used to test the hypotheses in the conceptual research model. Just like the covariance-based SEM such as AMOS and LISREL, the Smart PLS approach to structural equation modelling (SEM) allows researchers to simultaneously test model parameters and structural paths. However, while covariance-based SEM approaches like LISREL and AMOS use maximum likelihood estimation to obtain model parameters, PLS uses a component based least squares method (Wold, 1985). As a result, Smart PLS avoids many of the restrictive assumptions, such as large sample sizes and multivariate normal data distributions (Chin *et. al.*, 2003) associated with using covariance-based SEM techniques. Since the current study sample size is relatively small (87) Smart PLS was found more appropriate and befitting the purpose of the current study.

3.11 SUMMARY

This chapter explained the research process followed in the empirical part of the study. The target population comprised all B-BBEE verification practitioners and constituted a 'universe' or 'population'. All 80 verification agencies are listed on the SANAS website. The data collection process and analysis was also explained. Chapter 4 will present the data analysis and the findings of the study.

Chapter 4

RESEARCH FINDINGS AND ANALYSIS

4.1 INTRODUCTION

The main purpose of this study is to develop a competency framework for B-BBEE verification agencies. Based on the research conducted on the competency framework, the research model was drawn and based on the research model and the following hypotheses were proposed:

(H1) there is a positive relationship between knowledge areas and technical skills;

(H2) there is a positive relationship between knowledge areas and interpersonal skills;

(H3) there is a positive relationship between interpersonal skills and management skills;

(H4) there is a positive relationship between technical skills and standards and ethics;

(H5) there is a positive relationship between standards and ethics and management skills;

(H6) there is a positive relationship between job performance and technical skills;

(H7) there is a positive relationship between job performance and management skills and;

(H8) there is a positive relationship between standards and ethics and job performance.

The study comprised a sample size of 87 of B-BBEE verification practitioners who participated. The SPSS and Smart PLS software were used to analyse the data. The following sections report on the data generated from the two statistical packages.

4.2 DESCRIPTIVE RESULTS

The following table depicts some of the characteristics of the sample profile:

Table 0.1 Sample profile characteristics

Gender	Frequency	Percentage
Male	40	46%
Female	47	54%
Total	87	100%
Age	Frequency	Percentage
20-25	12	13.8%
26-35	31	35.6%
36-45	31	35.6%
46-55	12	13.8%
56+	1	1.1%
Total	87	100%

Table 4.1 presents the profile of the participants. The respondents were asked to indicate their demographic information, including gender, age, work position, sector and academic qualifications. The male respondents dominated, constituting 54% while females constituted 46%. Data gathered indicated that 13.8% of respondents were people aged from 20-25 years, 35.6% were aged between 26-35 years, another 35.6% were respondents aged between 36-45 years, 13.8% were aged between 46-55 years and 1.1% were 56 years and above.

The following table reflects the professional profile of the respondents:

Table 0.2 Professional profile of the respondents

	Frequency	Percentage
Academic Qualification		
Matriculation	13	14.9
Certificate	1	1.1
Diploma	13	14.9
Degree	24	27.6
Post graduate degree	34	39.1
Other	2	2.3
Professional Background		
Legal	8	9.2
Accounting and finance	17	19.5
Consulting	7	8.0
Auditing	15	17.2
Supply chain & procurement	9	10.3
Other	31	35.6
Job Title		
Owner	12	13.8
Manager	31	35.6
Technical Signatory	19	21.8
Verification Analyst	24	27.6
	1	1.1

The table above shows that out of 87 respondents the highest academic qualification per respondent was having a post-graduate degree. The second highest is respondents with degree qualifications which was 24, which is 27.6% and other respondents with a frequency of 2, which is 2% with certificates. Data gathered also shows that many respondents that have postgraduate degrees have other professional backgrounds. This is followed by respondents with accounting, and finance and consulting being the least. The results also indicate the number of respondents reporting to be in management, which is high, and followed by a verification analyst, which has 24 frequencies - 27.6%, Technical Signatory has a frequency of 19, which is 21.8% and Owner with a frequency of 12 which is 13.8%.

Table 0.3 Accuracy of Analysis Statistics

Research Construct		LV Index Value	R-Squared Value	Cronbach's α value	C.R. Value	AVE Value	Communality	Factor Loading
KA	KA 1	4.250	0.000	0.955	0.964	0.816	0.816	0.897
	KA 2							0.934
	KA 3							0.921
	KA 4							0.802
	KA 5							0.958
	KA 6							0.901
IS	IS 1	4.327	0.588	0.969	0.976	0.890	0.890	0.955
	IS 2							0.933
	IS 3							0.971
	IS 4							0.959
	IS 5							0.898
SE	SE 1	4.322	0.789	0.951	0.963	0.815	0.815	0.947
	SE 2							0.972
	SE 3							0.979
	SE 4							0.959
	SE 5							0.629
	SE 6							0.885
TS	TS 1	4.370	0.783	0.989	0.991	0.931	0.931	0.952
	TS 2							0.980
	TS 3							0.951
	TS 4							0.984
	TS 5							0.980
	TS 6							0.939
	TS 7							0.968
								0.966

Research Construct		LV Index Value	R-Squared Value	Cronbach's α value	C.R. Value	AVE Value	Communality	Factor Loading
	TS 8							
MS	MS 1	4.286	0.701	0.963	0.972	0.873	0.873	0.947
	MS 2							0.932
	MS 3							0.877
	MS 4							0.959
	MS 5							0.954
JP	JP 1	4.275	0.791	0.964	0.971	0.846	0.847	0.843
	JP 2							0.944
	JP 3							0.919
	JP 4							0.954
	JP 5							0.921
	JP 6							0.937

Note: KA= Knowledge Aras; IS = Interpersonal Skills; SE = Standards & Ethics; TS= Technical Skills; MS= Management Skills; JP= Job Performance

C.R.: Composite Reliability; AVE: Average Variance Reliability

* Scores: 1 - Strongly Disagree; 3 - Moderately agree; 5 - Strongly Agree

According to Chin (1998), research variables should have an average variance extracted (AVE) of more than 0.5 and a composite reliability of more than 0.7 (convergent validity), and inter-construct correlations should be less than the square-root of the AVE (discriminant validity). As can be seen (Table 4.4), all constructs exceed these criteria, with AVE and CR generally equal or greater than 0.5 and 0.8, respectively. Furthermore, as indicated in Table 4.4, the square-root of the lowest AVE is 0.903 and is greater than the highest inter-construct correlation value (0.837).

All in all, these results confirm the reliability and the existence of discriminant validity of the measurement used in this study.

Table 0.4 Correlation between constructs

RESEARCH CONSTRUCTS	IS	JP	KA	MS	SE	TS
Implementation Skills (IS)	1.000					
Job Performance (JP)	0.830	1.000				
Knowledge Areas (KA)	0.767	0.636	1.000			
Management Skills (MS)	0.837	0.809	0.627	1.000		
Standard & Ethics (SE)	0.851	0.801	0.737	0.759	1.000	
Technical Skills (TS)	0.775	0.621	0.815	0.596	0.823	1.000

PLS also generated the path coefficients for the relationships modelled among the constructs. The significance of these coefficients was assessed using the bootstrap procedure (with 80 sub-samples) that provided the t-values for each path estimate. Table 4.1-4.2 presents the results of the PLS analysis on the structural model along with the path estimates and t-values. Support for the study hypotheses, which are labelled on their corresponding paths was ascertained by examining the directionality (positive or negative) of the path coefficients and the significance of the t-values. The standardised path coefficients are expected to be at least above 0.2 and preferably greater than 0.3 (Chin 1998).

The correlation table indicates the strong relationship between the implementation skills and all constructs. The conclusion is drawn that all independent variables have a high influence based on the inter-correlations, as mentioned that the standardised path coefficients are all greater than 0.3. The correlation table also shows how all constructs are highly significant for an effective job performance. There is a strong relationship reported in the literature that describes the knowledge, skills and attributes required for the effective performance of a job. A highly positive relation exists between implementation skills and job performance. These correlations suggest that the implementation skills are required for the effective performance of

the job. A significant strong relation is also reported between knowledge areas, implementation skills and job performance. This finding indicates that the individual shall have knowledge and skills in specific areas to comprehend the fundamental relationships between legislative related issues and other legislation framework applicable. A strong relation is also reported between management skills, knowledge areas, implementation skills and job performance. The findings indicate that the supervisor or manager should possess skills in addition to those required in the industry or occupation such as interpersonal skills, which influence a comprehensive and well-rounded set of behaviours that underpin the role of competent verification practitioner across different job levels.

A strong relation is also reported between technical skills, management skills, knowledge areas, implementation skills and job performance. The findings indicate that the individual should have the foundation for occupation level and industry level technical competence to detect and provide objective decisions.

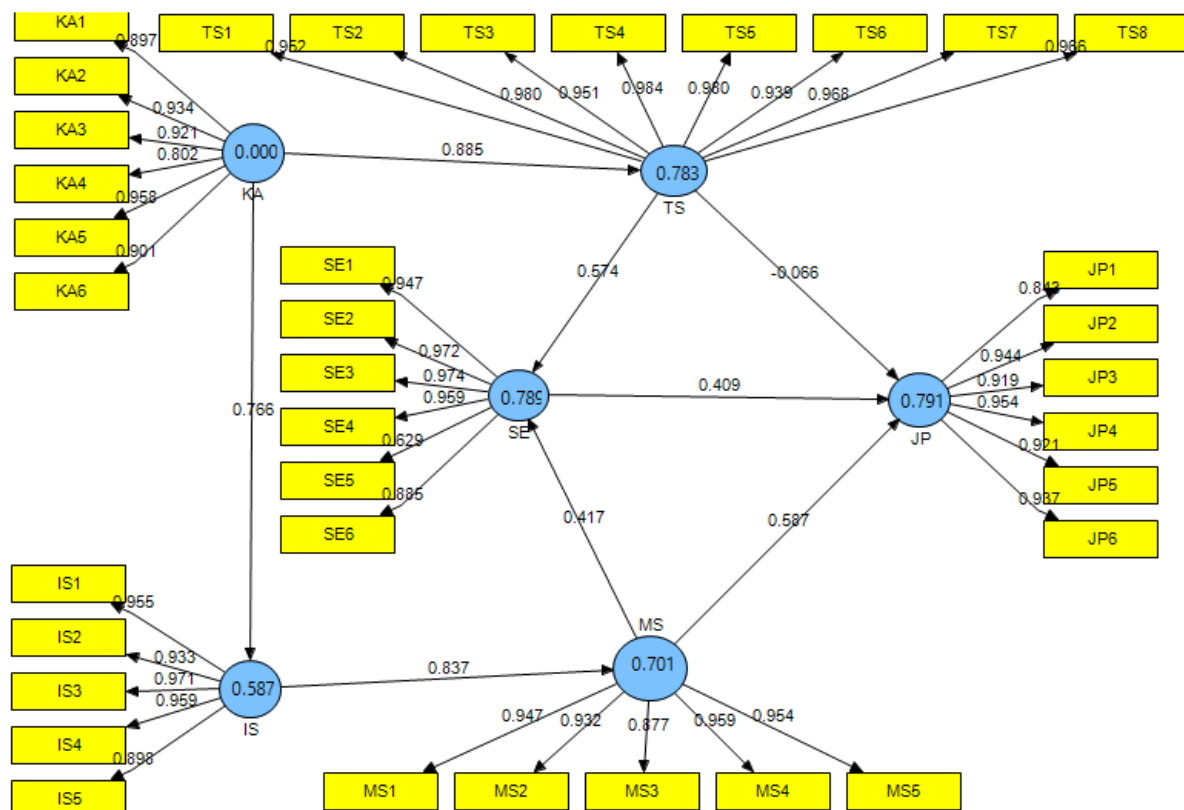


Figure 0.1 Measurement and Structural Model Results

The results presents the impact of knowledge areas (KA) on interpersonal skills (IS), technical skills (TS), standard & ethics (SE) and management skills (MS) on job performance (JP).

As posited in the current study KA has a positive influence on TS ($\beta=0.885$, $t=33.077$), hence supporting H1. The result reflects the common notion that competence is about the application of knowledge and skills judged in relation to some standard or set of performance standards. Boyatzis (1982) says that competencies include motive, traits, self-concept, skills and knowledge.

There is also a positive relationship between KA and IS ($\beta=0.766$, $t=11.455$) hence supporting H2. Spencer and Spencer (1993: 18) state that competency modelling includes specification about K (knowledge), S (skills), and A (attitude) of competencies is needed hence the positive relationship between knowledge areas and interpersonal skills.

IS positively influence MS ($\beta=0.837$, $t=19.991$) hence H3 is supported. Interpersonal skills suggest that competencies included in this domain represent motives and traits, as well as self-management styles, such as personal effectiveness. Competencies include, leadership and teamwork, change management, professionalism, initiative, dependability and reliability, and willingness to learn (IIA, 2010:11). Therefore there is a significant strong relationship between these variables.

Regarding the impact of TS on SE, the results show that TS has a positive relation with SE ($\beta=0.574$, $t=4.96$), thus H4 was supported. Beaumont (1996:13) posits that competence, in relation to occupational standards based qualifications, has been defined as the ability to apply knowledge, understanding standards and skills in performing to the standards required in employment. This includes solving problems and meeting changing demands.

The results also demonstrate that SE is also positively influenced by MS ($\beta=0.417$, $t=4.126$), hence supporting H5. The fundamental principles with which the auditor is required to comply by the IESBA Code are: (a) Integrity; (b) Objectivity; (c)

Professional competence and due care; (d) Confidentiality; and (e) Professional behaviour. The relationship exists between standards and ethics with management skills to influence a comprehensive and well-rounded set of behaviours.

There is a negative relationship between TS and JP even though the study initially suggested that there is a positive relationship between these two variables ($\beta = -0.066$, $t = 0.707$) hence H6 was supported. Previous research shows that job performance is achieved when an individual fulfils specific job responsibilities. The competent practitioner can only meet performance technical standards when he has undertaken and successfully completed courses, which impart knowledge of effective skills.

According to the current study, MS positively influence JP ($\beta = 0.587$, $t = 5.476$) thus H7 was supported. Bartram, (2005) posits that a manager with adequate management skill takes control and exercises leadership, initiates action, gives direction and takes responsibility. Thus reliance on the management skills and abilities converts processes into job performance.

Lastly, according to this study, SE again positively influence JP ($\beta = 0.409$, $t = 3.304$) hence H8 was supported. There is a strong relationship reported in the literature between SE and JP. The conclusion is then that both variables have influence of demonstrating that competence is dependent upon the successful application of a number of capabilities which are required to be employed in order to complete the task(s)

Premised on the current research findings, support for all the eight hypotheses is provided, so resulting in a positive relationship between all the variables. The, extant literature has also highlighted the important fostering role played by knowledge areas on technical skills, interpersonal skills, management skills, standards and ethics on job performance.

Table 0.5 Results of Structural Equation Model Analysis

Knowledge Areas (KA) → Technical skills (TS)	H1	0.885	33.077	Supported
Knowledge Areas (KA) → Interpersonal Skills (IS)	H2	0.766	11.455	Supported
Interpersonal Skills (IS) → Management Skills (MS)	H3	0.837	19.991	Supported
Technical skills (TS) → Standards & Ethics (SE)	H4	0.574	5.496	Supported
Management Skills (MS) → Standards & Ethics (SE)	H5	0.417	4.126	Supported
Technical skills (TS) → Job Performance (JP)	H6	-0.066	0.707	Not Supported
Management Skills (MS) → Job Performance (JP)	H7	0.587	5.476	Supported
Standards & Ethics (SE) → Job Performance (JP)	H8	0.409	3.304	Supported

Note: KA= Knowledge Areas; IS = Interpersonal Skills; SE = Standards & Ethics; TS= Technical Skills; MS= Management Skills; JP= Job Performance

4.3 DEVELOPMENT OF THE B-BBEE VERIFICATION PRACTITIONER'S COMPETENCY FRAMEWORK

In the previous sections the research findings were analysed, discussed and has revealed a comprehensive and well-rounded set of behaviours underpinning the verification practitioners. The competency framework allows for identifying the behaviours that drive successful job performance and enable verification practitioners to deliver technical expertise effectively. The verification practitioner's competency framework is based on the links between competencies which were identified and grouped into 5 competency tiers: Technical Skills, Knowledge Areas, Standard and Ethics, Management Skills and Interpersonal Skills.

Below is pyramid-shaped graphic that depicts competencies framework divided into blocks representing the skills, knowledge, standards, management skills and interpersonal skills essential for successful job performance in the profession. Each competency was defined and described by key behaviours or by examples of the critical work functions. Indicators of effective and ineffective performance for each individual competency were discussed. The proposed competency framework is organised around five key focus areas, namely technical skills, knowledge areas,

standards and ethics, management skills, and interpersonal skills ranging from the least required set of competencies to the most required.

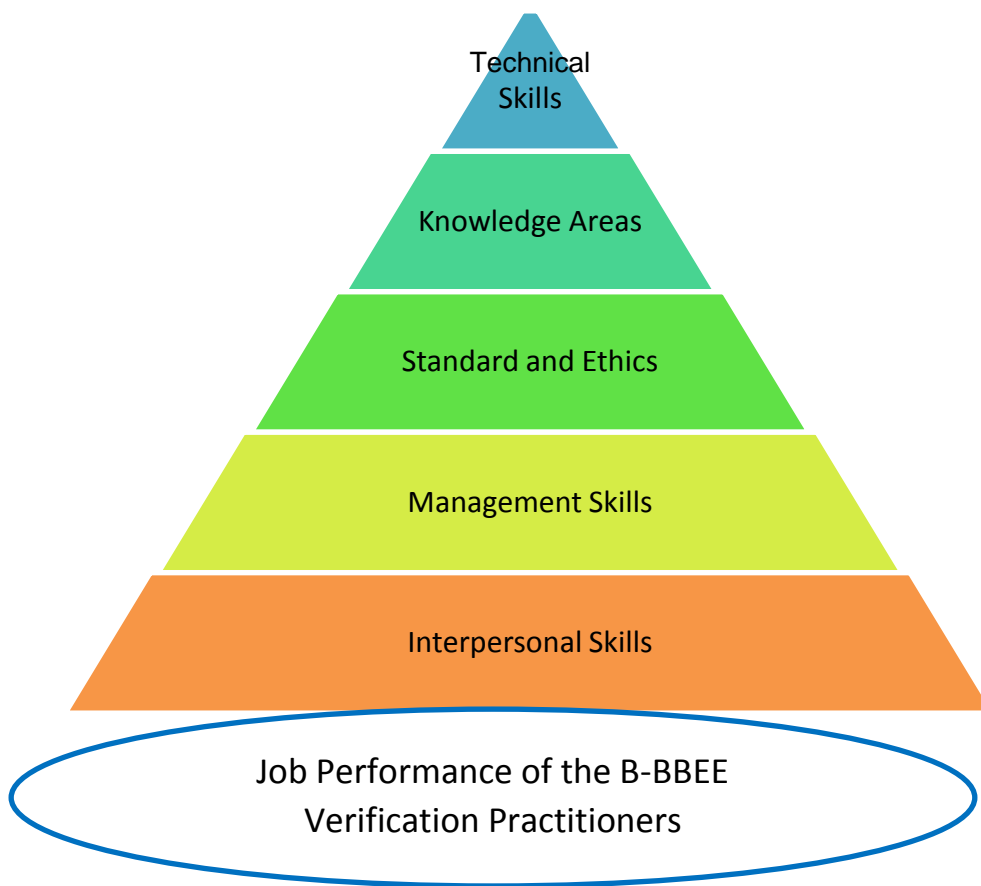


Figure 4.1 Proposed B-BBEE Verification Practitioners Competency Framework

As noted earlier, the respondents indicated that of all the competencies required, the technical skills and knowledge areas have come out as the least of their concerns. This may be attributed to the fact that a 66.7% (27.6%+39.1%) of the respondents have good educational backgrounds, with 27.6% holding degree qualifications and 39.1% holding postgraduate qualifications. Further, the data revealed that the two major sets of competencies that the respondents felt they require in order to improve their performance are management skills and interpersonal skills.

These findings suggest that while the current cohort of verification practitioners have the necessary technical expertise to perform their tasks well, they recognise the need to improve their managerial and interpersonal skills. Hence, the proposed

competency framework is helpful in determining the training and developmental priorities for the current cohort of BBBEE verification practitioners. Thus any training and development programme aimed at the current cohort of BBBEE verification practitioners will need to place more emphasis on inter-personal skills, management skills, standards and ethics and less on the technical aspects of their work. Table 4.6 depicts some competency definitions and indicators of effective and ineffective performance adapted from the competency framework guide for managers and staff.

Table 0.6 competency definitions and indicators of effective and ineffective performance.

Competency	Competency Definitions	Indicators of effective performance	Indicators of ineffective performance
Interpersonal Skills	The skills used by a person to properly interact with others. In the business domain, the term generally refers to an employee's ability to get along with others while getting the job done. Interpersonal skills include everything from communication and listening skills to attitude and deportment.	<ul style="list-style-type: none"> • Communication skills that enable effective communication between people. • Represents self and team positively within the organisation. • Communicate persuasively and confidently. • Communication skills which warrant careful information gathering on issues relating to gender, race, culture and management dispute. • Ability to resolve conflict within the verification team. • Ability to adapt to changes in requirements introduced at work. 	<ul style="list-style-type: none"> • Excludes others when communicating. • Fails to gain buy in to important messages. • Allows own views to be distorted or influenced inappropriately by others. • Presents views negatively or without conviction. • Inability to resolve conflict within the verification team.
Management Skills	The ability to make business decisions and lead subordinates within a company. Three most common skills include: 1) human skills - the ability to interact and motivate; 2) technical skills - the knowledge and proficiency in the trade; and 3) conceptual skills - the ability to understand concepts, develop ideas and	<ul style="list-style-type: none"> • Manage projects within the organisation effectively. • Good organisational and time management skill. • Ability to effectively plan, prioritise and adjust activities to the needs of the organisation as far as possible without 	<ul style="list-style-type: none"> • Unaware on how own work contributes to the vision or objectives of the organisation • Set strategies that do not tie in with its overall vision nor the strategic priorities of the organisation. • Fails to have adequate knowledge of how to manage

	<p>implement strategies. Competencies include communication ability, response behaviour and negotiation tactics.</p>	<p>adversely affecting other process.</p> <ul style="list-style-type: none"> • Adequate knowledge of how to manage general business processes. • Ability to effectively set organisational priorities that generate and lead to strategic objectives also briefs and prepare team to accomplish goals and objectives. 	<p>general business process.</p> <ul style="list-style-type: none"> • Inability to identify changes in the organisation's objectives that will impact work area.
Standards & Ethics	<p>The Standards are principles-focused, mandatory requirements consisting of:</p> <p>Statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels. Interpretations, which clarify terms or concepts within the Statements (IIA)</p> <p>The Code of Ethics are Principles relevant to the profession and practice of auditing, and Rules of Conduct that describe behaviour expected of auditors. The Code of Ethics applies to both parties and entities that provide audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing (IIA).</p>	<ul style="list-style-type: none"> • Aware of the Standards and its implications in conducting verification. • Understanding the need for verification assignment to be conducted with due professional care. • Aware of the need for independence throughout the verification process. • Know the contents of the B-BEEE Verification Manual and its implications in conducting verification. • Knowledge of International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements. • Act professionally and ethically in making decisions. 	<ul style="list-style-type: none"> • Circumstances that may create threats to compliance with the fundamental principles. For example, a threat to objectivity may be created when verification practitioner competes directly with a client or has a joint venture or similar arrangement with a major competitor of a client. A threat to objectivity or confidentiality may also be created when a verification practitioner performs services for clients whose interests are in conflict or the clients are in dispute with each other in relation to the matter or transaction in question
Knowledge Areas	<p>Knowledge areas define what a practitioner of business analysis needs to understand and the tasks a practitioner must be</p>	<ul style="list-style-type: none"> • Confident about knowledge of corporate governance and related issues • Good knowledge of the company 	<ul style="list-style-type: none"> • Lack of confidence about knowledge of regulatory, corporate governance related issues. • Fails to have

	<p>able to perform</p> <p>Competencies included in this domain:</p> <p>Financial and Management; Accounting; Regulatory, Legal and Economics; Quality and control; Ethics and fraud; Information technology; Governance, Risk and Control.</p>	<p>legislation applicable to B-BBEE verification work area</p> <ul style="list-style-type: none"> • Good knowledge of the Human Resources issues related to B-BBEE Codes of Good Practice • Good knowledge of Supply Chain Management and Procurement Practices • Good knowledge of Enterprise Development • Good knowledge of Socio Economic Development 	<p>knowledge of the Human Resources issues related to B-BBEE.</p> <ul style="list-style-type: none"> • Makes little or no attempt to have knowledge of Supply Chain Management and Procurement Practice.
Technical Skills	<p>The knowledge and abilities need in certain specialised field. Competencies included in this domain represent the cross-cutting knowledge, skills, and abilities needed within the profession namely, Research and investigation; Business process and project Management; Risk and control; Data collection and analysis; Problem solving tools and Techniques; Computer aided auditing Techniques.</p>	<ul style="list-style-type: none"> • Adequate understanding of management control and systems of B-BBEE Codes of Good Practice and Verification Processes. • Employs operational research modelling techniques to tackle problems. • Can identify when to apply optimisation techniques to business issues. • Adequate understanding of the basis of Verification Methodology and Process (sampling approaches, gathering and assessing authentic and valid evidence). • Adequate understanding of the Monitoring and Evaluation the Verification Methodology and Process. • Adequate understanding of the Metrics and Measurement issues in Verification of B-BBEE Codes of Good 	<ul style="list-style-type: none"> • Inadequate understanding of management control and systems of B-BBEE Codes of Good Practice and Verification Process. • Spends time evaluating irrelevant information, ignores the practical implications of the research methodology. • Fail to maximise opportunities to assess situations and information so as to make informed decisions on objective and verifiable evidence. • Inadequate skills to determine the authenticity of the information and to verify possible allegations made by other sources.

		Practice. <ul style="list-style-type: none"> • Competence to assess situations and information so as to make informed decisions on objective and verifiable evidence. • Competence necessary to detect non-compliance which may have been subject to manipulative practices by the measured entity to prevent detection. • Skills necessary to determine the authenticity of the information and to verify possible allegations made by other sources. • Skills to detect commonly used methods of document manipulation, fronting and fraud practices. 	
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Table 4.6 depicted some competency definitions and indicators of effective and ineffective performance in an organisation and that can define how the BBEE verification practitioners should do their tasks and provides an indication of the behaviours that are valued and recognised.

4.4 CONCLUSION

This chapter explained the research process followed in the empirical part of the study. The target population comprised all B-BBEE verification practitioners and constituted a 'universe' or 'population'. All 80 verification agencies are listed on the SANAS website. The data collection process and analysis was also explained. The B-BBEE Verification Practitioner's Competency Framework essential for effective job performance in the verification services was proposed. Chapter 5 will present the data analysis and the findings of the study.

Chapter 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter the results were discussed in this final chapter the findings from the previous chapter will be presented to draw conclusions. This is followed by the discussion on the implication of findings after recommendations are made. The limitations of the study are also presented and recommendations made for future research.

5.2 HAS THE STUDY ACHIEVED ITS OBJECTIVES?

5.2.1 THEORETICAL OBJECTIVES

The theoretical objectives of the study were achieved in that Chapter 2 reviewed the literature on the concept of BBEE, the verification and audit process, as well as the various competency models. The B-BBEE verification guidelines, audit and verification standards were also examined to demonstrate the similarities of their function. Finally, literature on how competency models can be developed and implemented as well as; the concept of training needs assessment and the role of competencies, skills, knowledge, and attitude on performance was undertaken. The extent of the literature reviewed significantly indicate that theoretical objectives were achieved.

5.2.2 EMPIRICAL OBJECTIVES

As mentioned in section 3.6, the questionnaires were used as the main basis for the survey in this study. The questionnaire consisted of seven research variables and measurement items. It was adapted from the Internal Auditor Competency Framework (2010). The main purpose of this study was to develop a competency framework for B-BBEE verification agencies. Based on the empirical research, the competency framework for the BBEE verification practitioners was proposed in Chapter 4. on the competency framework, the research model was drawn and based on the research model and the hypotheses were proposed. Thus the study achieved its empirical objectives of developing a competency framework for B-BBEE verification agencies.

5.3 IMPLICATIONS OF THE FINDINGS

The following section will consider the possible impact on academic, practical and policy implications.

5.3.1 ACADEMIC IMPLICATIONS

The most important decision that had to be made was which competency framework will be offered to the verification professionals. In light of the findings, it is clear that achievement of competence should take place along a continuum of learning, which commences with the recognised academic programme. The focus should be on the verification professional's ability to apply knowledge, understanding and skills in performing the verification function in relation to occupational standards based qualification. This includes solving problems and meeting changing demands.

5.3.2 MANAGERIAL IMPLICATIONS

The study proposed a competency framework for the current cohort of the BBBEE verification practitioners. The study has enabled the industry to rest assured that technically speaking, it has suitably qualified verification practitioners with the requisite educational qualifications. At the same time, the study has identified skills and competencies gaps on the part of the BBBEE verification practitioners, namely interpersonal skills, management skills, and standards and ethics, in that order. The verification agencies will now be in a better position to know where they should focus their training and development.

5.3.3 POLICY IMPLICATIONS

One of government's fundamental aims is to facilitate access to sustainable economic activity and employment for all South Africans and to identify economic opportunities and potential. Further, the aim is to catalyse economic transformation and development, and provide a predictable, competitive, equitable and socially responsible environment for economic participation through fostering skills development, enterprise development and growth of new industries, amongst other things. It is against this that the study recommends that the Department of Trade and Industry as the custodian of transformation policy, needs to focus on appointing institutions of higher education to pilot the training programme to ensure effective

use of limited resources for the development and national roll out of the B-BBEE standardised training programme. This should give impetus to the institutionalisation of B-BBEE within the economic system and to professionalise B-BBEE verification professionals. The programme should also enhance the objective of standardisation of B-BBEE verification operation and guarantee that the verification workforce is competent from both a theoretical and practical perspective, on the B-BBEE Act, B-BBEE Codes of Good Practice, Sector Codes and the Verification Manual to skill the entire South African economy to create jobs. This work should begin by facilitating the development of an accredited curriculum that prescribes a course of study which students might fulfil to gain a B-BBEE Verification qualification.

The qualification should ensure that learners will have the competencies to verify entities in accordance with the stipulations of the B-BBEE Act of 2003, the B-BBEE Generic Codes of Good Practice and Sector Codes. Qualifying students will have the knowledge, techniques and tools to participate as B-BBEE advisors, practitioners and verifiers to firms in order to effectively conform to the framework for measuring B-BBEE requirements. Benefits of capacitating the B-BBEE industry through this programme is that it will be relatively new, and present business opportunities for aspiring entrepreneurs and a career pathway for the youth.

The qualification should also aim to provide learners with competencies to evaluate ownership in complex structures and to take appropriate informed and ethical decisions when verifying an entity for Black Beneficial ownership. The anticipated beneficiaries of this programme should conform to the equity considerations of the National Skills Development Strategy 3, including Blacks, up to youth, women and the unemployed.

5.4 LIMITATIONS OF THE STUDY

There are certain limitations of this research: the study attempted to make a significant contribution to the body of knowledge on the B-BBEE verification. However, specific limitations were evident in the literature review and empirical phase of the study and should be noted. Due to the nature of this study, it was limited to verification agencies, thereby excluding auditors who are performing B-BBEE verification services. This resulted in a sample which proved relatively small.

5.5 RECOMMENDATIONS FOR FUTURE RESEARCH

The following future research is recommended:

- A similar study should be conducted with auditors who are performing B-BBEE verification services to determine if there similarities with the main findings from this study.
- A similar study should be dedicated to determining the similarities or differences between B-BBEE verification agencies and auditors.
- A future study could include a comparison between different B-BBEE verification agencies to determine how organisations perceive different verification agencies on different choice factors.

5.6 CONCLUSION

The study considered an aspect of a broad area which is critical for ensuring the economic empowerment of the previously marginalised population. As discussed earlier, both the theoretical and empirical objectives of the study were met. The academic, managerial, and policy implications of the study were also highlighted. Above all, the study culminated into a competency framework for the BBEE verification practitioners, which framework will assist the industry in prioritising the raining and developmental needs of the verification practitioners. The findings from this study also contribute to a growing knowledge on B-BBEE. There is also a potential for this study to be used by the higher institutions in South Africa in developing a curriculum for B-BBEE programme for verification professionals.

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ANNEXURE – QUESTIONNAIRE



Vaal University of Technology
Department of Logistics
Faculty of Management Sciences

Questionnaire

Developing a Competency Framework for Broad - Based Black Economic Empowerment Verification Agencies

Thank you for paying attention to this academic questionnaire. The purpose of this questionnaire is to gather information on the development of a competency framework for Broad-Based Black Economic Empowerment Verification Agencies. I am therefore, requesting for your assistance to complete the questionnaire below. The research is purely for academic purposes and the information will be kept confidential. It will take you approximately 8 minutes to complete the whole questionnaire.

Researcher: Ms Makhosazana Seate

Research Supervisor: Prof. David Pooe

Co-Supervisor: Pro. Richard Chinomona

SECTION A

INDIVIDUAL PROFILE

The section is asking your individual profile. Please indicate your answer by ticking (✓) on the appropriate box.

A1 Please indicate your gender

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
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A2 Please indicate your age category

20-25	<input type="checkbox"/>	26-35	<input type="checkbox"/>	36-45	<input type="checkbox"/>	46-55	<input type="checkbox"/>	56 & older	<input type="checkbox"/>
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A3 Please indicate your nationality

South African	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

A4 Please indicate your home language

English	<input type="checkbox"/>
Afrikaans	<input type="checkbox"/>
Zulu	<input type="checkbox"/>
Sotho	<input type="checkbox"/>
Venda	<input type="checkbox"/>
Xhosa	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

A5 Please indicate your highest academic qualification

Matriculation	<input type="checkbox"/>
Certificate	<input type="checkbox"/>
Diploma	<input type="checkbox"/>
Degree	<input type="checkbox"/>
Post graduate degree	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>

A6 Please indicate your professional background

Legal	
Accounting and Finance	
Consulting	
Auditing	
Supply Chain and Procurement	
Other (specify)	

A7 Please indicate under what capacity you run your business (job title)

1	Owner		2	Manager	
3	Technical Signatory		4	Verification Analyst	

SECTION B: KNOWLEDGE AREAS

Below are statements about knowledge areas, you can indicate the extent to which you agree or disagree with the statement by ticking the corresponding number in the 5 point scale below:

1	2	3	4	5
strongly disagree	disagree	moderately agree	Agree	strongly agree

Please tick only one number for each statement

KA1	I am confident about my knowledge of corporate governance and related issues	Strongly disagree	1	2	3	4	5	Strongly agree
KA2	I have a good knowledge of the company legislation applicable to my work area	Strongly disagree	1	2	3	4	5	Strongly agree
KA3	I have a good knowledge of the Human Resources issues related to B-BBEE Codes of Good Practice	Strongly disagree	1	2	3	4	5	Strongly agree
KA4	I have a good knowledge of Supply Chain Management and Procurement Practices	Strongly disagree	1	2	3	4	5	Strongly agree
KA5	I have a good knowledge of Enterprise Development	Strongly disagree	1	2	3	4	5	Strongly agree
KA6	I have a good knowledge of Socio Economic Development	Strongly disagree	1	2	3	4	5	Strongly agree

SECTION C: TECHNICAL SKILLS

Below are statements about technical skills, you are required to indicate the extent to which you agree or disagree with the statement by ticking the appropriate number where:

1	2	3	4	5
strongly disagree	Disagree	moderately agree	Agree	strongly agree

Please tick only one number for each statement

TS1	I have an adequate understanding of management control and systems of B-BBEE Codes of Good Practice Verification Processes.	Strongly disagree	1	2	3	4	5	Strongly agree
TS2	I have an adequate understanding of the basis of Verification Methodology and Process (sampling approaches, gathering and assessing authentic and valid evidence).	Strongly disagree	1	2	3	4	5	Strongly agree
TS3	I have an adequate understanding of the Monitoring and Evaluation the Verification Methodology and Process.	Strongly disagree	1	2	3	4	5	Strongly agree
TS4	I have an adequate understanding of the Metrics and Measurement issues in Verification of B-BBEE Codes of Good Practice.	Strongly disagree	1	2	3	4	5	Strongly agree
TS5	I have the competence to assess situations and information so as to make informed decisions on objective and verifiable evidence.	Strongly disagree	1	2	3	4	5	Strongly agree
TS6	I have the competence necessary to detect non-compliance which may have been subject to manipulative practices by the measured entity to prevent detection.	Strongly disagree	1	2	3	4	5	Strongly agree
TS7	I have the skills necessary to determine the authenticity of the information and to verify possible allegations made by other sources.	Strongly disagree	1	2	3	4	5	Strongly agree
TS8	I have the skills to detect commonly used methods of document manipulation, fronting and fraud practices.	Strongly disagree	1	2	3	4	5	Strongly agree

SECTION D: INTERPERSONAL SKILLS

Below are statements about interpersonal skills, you are required to indicate the extent to which you agree or disagree with the statement by ticking the appropriate number where:

1	2	3	4	5
strongly disagree	Disagree	moderately agree	Agree	strongly agree

Please tick only one number for each statement

IS1	I have the skills that enable me to communicate with other people effectively.	Strongly disagree	1	2	3	4	5	
IS2	I have good communication skills which warrant careful information gathering on issues relating to gender, race, culture and management dispute.	Strongly disagree	1	2	3	4	5	
IS3	I feel I have the necessary ability to resolve conflict within the verification team.	Strongly disagree	1	2	3	4	5	
IS4	I have the ability to adapt to changes in requirements introduced at work.	Strongly disagree	1	2	3	4	5	
IS5	I have good people management skills.	Strongly disagree	1	2	3	4	5	

SECTION E: STANDARDS AND ETHICS

Below are statements about standards and ethics commitment, you are required to indicate the extent to which you agree or disagree with the statement by ticking the appropriate number where:

1	2	3	4	5
strongly disagree	disagree	moderately agree	Agree	strongly agree

Please tick only one number for each statement

SE1	I am aware of the SANAS R47 and its implications in conducting verification.	Strongly disagree	1	2	3	4	5	
SE2	I understand the need for verification assignment to be conducted with due professional care.	Strongly disagree	1	2	3	4	5	
SE3	I am aware the of the need for independence throughout the verification process.	Strongly disagree	1	2	3	4	5	
SE4	I know the contents of the B-BEEE Verification Manual and its implications in conducting verification.	Strongly disagree	1	2	3	4	5	
SE5	I have knowledge of International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) related to an audit of financial statements.	Strongly disagree	1	2	3	4	5	
SE6	I do act professionally and ethically in making decisions even though these actions and decisions may result in disagreements, confrontation or appeal proceedings.	Strongly disagree	1	2	3	4	5	

SECTION F: MANAGEMENT SKILLS

Below are statements about management skills, you are required to indicate the extent to which you agree or disagree with the statement by ticking the appropriate number where:

1	2	3	4	5
strongly disagree	disagree	moderately agree	Agree	strongly agree

Please tick only one number for each statement

MS1	I can manage projects within the verification activity or organization effectively.	Strongly disagree	1	2	3	4	5	
MS2	I have good organisational and time management skill.	Strongly disagree	1	2	3	4	5	
MS3	I am able to effectively plan, prioritise and adjust the verification activities to the needs of the measured entities as far as possible without adversely affecting the verification process.	Strongly disagree	1	2	3	4	5	
MS4	I have adequate knowledge of how to manage general business processes.	Strongly disagree	1	2	3	4	5	
MS5	I have the ability to effectively manage and control meetings during a verification process.	Strongly disagree	1	2	3	4	5	

SECTION G: JOB PERFORMANCE

Below are statements about job performance, you are required to indicate the extent to which you agree or disagree with the statement by ticking the appropriate number where:

1	2	3	4	5
strongly disagree	Disagree	moderately agree	Agree	strongly agree

Please tick only one number for each statement

JP1	I fulfill specific job responsibilities.	Strongly disagree	1	2	3	4	5	
JP2	I meet performance standards and expectations.	Strongly disagree	1	2	3	4	5	
JP3	My performance level is satisfactory.	Strongly disagree	1	2	3	4	5	
JP4	I am effective in my job.	Strongly disagree	1	2	3	4	5	
JP5	I perform better than many other employees who perform the same job.	Strongly disagree	1	2	3	4	5	
JP6	I produce high quality work.	Strongly disagree	1	2	3	4	5	

THE END
Thank You!