“Transformation as an element of executive remuneration in South African state-owned enterprises”

<table>
<thead>
<tr>
<th>AUTHORS</th>
<th>Frans Maloa</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOURNAL</td>
<td>“Problems and Perspectives in Management”</td>
</tr>
<tr>
<td>FOUNDER</td>
<td>LLC “Consulting Publishing Company “Business Perspectives”</td>
</tr>
</tbody>
</table>

© The author(s) 2018. This publication is an open access article.
Frans Maloa (South Africa)

Transformation as an element of executive remuneration in South African state-owned enterprises

Abstract

Challenges with transformation in respect of executive remuneration are widely acknowledged. Two types of measures, black economic empowerment and the Employment Equity Act of 2003, have emerged as potential drivers of transformation. However, their impact on executive compensation remains unclear. Observers felt the policy was being used to only benefit an elite few. This article aims to describe and identify common practices on transformation in executive remuneration at South African state-owned enterprises. An eclectic approach is used to develop a broader theoretical framework within which a better understanding of executive remuneration and transformation as an element of executive remuneration in the context of South African SOEs could be achieved. The sample for the survey includes 13 key informants as representatives of South African state-owned enterprises. The findings reveal institutional and contextual impediments in the implementation of transformation in executive remuneration. The findings also shed light on what is happening at the operational level in the SOEs, which may not be available in most empirical studies on executive remuneration in South African SOEs. Recommendations are made on for interventions and proper implementation.

Keywords: transformation, executive remuneration, black economic empowerment, employment equity act, state-owned enterprises.

JEL Classification: J31, J33, J71.

Background

Twenty years on, the very notion of ‘transformation’ has evolved from implying a transition to democratic norms and, for a group of business people in South Africa circa 2014, the chances are that ‘transformation’ is largely associated with various forms of black economic empowerment (BEE), corporate social responsibility programs, labor issues, and training and skills development (Nel & Davies, 2015). Because of South Africa’s economic growth after apartheid, various jobs were created to aid in the country’s racial and gender transformation (Geldenhuys, 2011). BEE, as well as the Employment Equity Act of 2003 (EEA), were introduced by the South African government as affirmative action measures and initiatives to advance economic transformation and enhance the economic participation of workers in formerly disenfranchised groups (African blacks, Indians, colored, women and people with disabilities) in the post-apartheid era (Bhorat & Goga, 2012; Denenga, 2012).

1. Black economic empowerment

BEE as applied in South Africa is often compared to the US Affirmative Action policy, as it addresses racial and gender inequalities (Cascio & Aquinis, 2011; Denenga, 2012). In South Africa, BEE as a transformation measure set targets for shares of black ownership and management that companies had to meet. Following complaints of inadequate ‘transformation’, the targets were increased, culminating in measures requiring ‘demographic representivity’ in both the state and private sectors, and on a provincial as well as national basis (Lipton, 2014).

However, it seems the transformation objectives determined by the South African government did not come to fruition as intended. For example, according to a Labour Force Survey (2014), in Q4: 2014, the share of the employed population with tertiary education was highest among the white (45.4%) and Indian/Asian (34.1%) population groups. The majority (more than 50%) of employed black Africans and the coloured population did not complete their matric education. Although there were some improvements in Q4: 2014 compared to Q4: 2013, relatively small proportions of employed black Africans and the colored population group completed tertiary education compared to their white and Indian counterparts. In addition, the black African population (both men and women) formed the only population with employment absorption rates that were lower than the national rates.

However, irrespective of the statistical findings, lack of transformation and criticism thereof are perceived differently by different sectors of society and interest groups. For example, failure of transformation initiatives by government was noted by various authors (Krüger, 2014; Schuitema, 2010) who stated that BEE had become controversial and had attracted bad press. Observers felt the policy was being used to only benefit an elite few. Moreover, by putting a premium on available black executive skills, it not only narrowed supply considerably, but generally inflated executive pay structures (Speckman, 2011). Thus, one of the main intentions of BEE, viz. narrowing the income gap, has had the opposite effect.

© Frans Maloa, 2015.
Frans Maloa, Ph.D., Senior Lecturer, Department of Industrial and Organisational Psychology, University of South Africa, South Africa.
and according to the South African Institute of Race Relations, BEE should be scrapped altogether and not reformed (Fin24, 2013).

1.1. Employment equity. Given South Africa’s history of apartheid, studies examining gender earning differentials have increased in importance, due in part to the feminization of the labor force in post-apartheid South Africa, as well as the focus of employment equity legislation on the representation and treatment of, among others, women in the labor market (Bhorat & Goga, 2012). While many studies have explored the issue of women’s representation among top management, little is known about the gender gap in remuneration, including those who have reached the top (Shin, 2012). In the same way, Catalyst (2010) raises questions with regard to the rewards female employees receive in comparison to their male counterparts and asks if there are any gender disparities that could explain the gap. Kulich et al. (2011) argue that a consistent finding is that as women climb the corporate ladder, the pay gap becomes larger, reaching up to 30% in top managerial positions. However, Albenesi, Olivetti and José Prados (2015) contend that female executives receive a lower share of incentive pay in total compensation relative to males. This difference accounts for 93% of the gender gap in total pay. Nevertheless, the gender pay gap is pervasive, and its size varies as a function of a number of contextual factors across industries, which include different occupations and levels of seniority (Kulich, Trojanowski, Ryan, Haslam & Renneboog, 2011).

Considering the importance of executive compensation, which is currently a hot debate in South Africa and the rest of the world, the argument on which this article is based is that although the current gap in executive remuneration between different genders and racial groups may be cause for concern, it may not necessarily be the result of a deliberate act by the current government, but requires a clear understanding of various factors, which calls for the exploration of the historical and institutional context that seems to influence perceptions and criticism of transformational measures on executive compensation.

Prior to this research, empirical research on executive remuneration in relation to transformational initiatives by government in the context of South African state-owned enterprises (SOEs) had been practically non-existent. Thus, an interesting but previously underexplored question emerges:

- What is the impact of BEE and EEA as forms of transformation on executive remuneration in South African SOEs? What follows is the conceptualization of executive remuneration and a literature review on different theoretical perspectives on the matter, followed by a discussion of the methodology in section 3, findings in section 4, section 5 presents the discussion, section 6 provides the implementations for practice. The Final section gives the conclusion.

2. Literature review

The study takes a closer look at the conceptualization of remuneration followed by the discussion of the theoretical framework.

2.1. Conceptualization of remuneration. Scholars in the field of management define employee remuneration in several ways and the term is used interchangeably with reward, pay or compensation (Greckhamer, 2011; Milkovich & Newman, 2004; Perkins & White, 2011). Milkovich and Newman (2004) define remuneration as all forms of financial returns and tangible services and benefits employees receive. Similarly, Greckhamer (2011) defines remuneration as all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. Remuneration for the set of employees who, theoretically, have the highest impact on the effective definition and implementation of an organization’s strategy is usually classified as executive remuneration. Typically, this ends up being the top two layers of an organization’s management hierarchy (Ghose, 2011, p. 9). Thus, executive remuneration is defined as the total cash remuneration of executive directors of the company as disclosed in published annual reports (Scholtz & Smit, 2013).

However, the definitions seem limited, since they point out the financial returns or benefits as part of an employment relationship but not exactly in terms of the kind of relationship. Milkovich, Newman, and Gerhart (2014) cast a different perspective on how remuneration could be viewed. Milkovich et al. (2014), point to the fact that the definition of remuneration depends on whether one defines it from the perspective of a member of society, a stockholder, a manager or an employee. Firstly, in terms of the societal perspective, remuneration is seen as a measure of justice, that is, a comparison of earnings between men and women, which highlights what many consider as inequities in pay decisions. Secondly, according to the management perspective, remuneration is not only an expense to be minimized, but could also be seen as a tool according to which employee behaviors could be influenced and the organizations’ performance could be improved. Lastly, in terms of the employees’ perspective,
remuneration may be seen as a return in an exchange between an employer and an employee, as an entitlement for being an employee of the company, or as a reward for a job well done.

However, what is relevant in the context of the current research is that emphasis is put on both the societal and employee perspective of remuneration. This is so since the managerial perspective seems to provide only a biased interpretation of remuneration (i.e., an expense to be minimized and a tool to control behavior). However, taking the societal and employee perspectives together, executive remuneration can be seen not only as a return in exchange for a job well done, but also as a measure of justice in the comparison of earnings and inequities in pay decisions between male and female and between different racial groups. Thus, the societal perspective is relevant in the current research, as it gives a broader perspective and casts light on the continual debate on the gap and discrepancy in executive remuneration and the societal implications thereof.

2.2. Theoretical framework. An eclectic approach is used to develop a broader theoretical framework within which a better understanding of executive remuneration and transformation as an element of executive remuneration in the context of South African SOEs could be achieved. Executive remuneration is contextualized by underpinning the phenomenon under the theoretical framework, which includes aspects of institutional theory, social identity theory, and structural theory.

From the institutional theory perspective, it is impossible to explain the differences observed in pay level and remuneration without examining the role of institutional forces. Institutional theory pays attention to the various political and social pressures confronting people in organizations, both internally and externally (Balkin, 2008; DiMaggio & Powell, 1991; Perkins & White, 2008; Scott, 2004; Zucker, 1977). The impact of these pressures is profound, but also discreet in the form of rituals, scripts and norms that are taken for granted (DiMaggio & Powell, 1991).

From a social identity theory (SIT) perspective a social-psychological perspective is offered, developed principally by Henri Tajfel (Tajfel & Turner, 1985). According to SIT, people tend to classify themselves and others into various social categories, such as organizational membership, religious affiliation, gender, and age cohort (Tajfel & Turner, 1985). Gurin and Townsend (1986) found that collective discontent among women and motivation to engage in political action for legislative change could consistently be predicted by gender identification. In addition, women’s (favorable) attitudes to affirmative action policies were separately correlated with both gender identification and collective relative deprivation (Tougas & Villieux, 1988). SIT becomes relevant in this research in that it shows how women as a social group may be treated differently from their male counterparts. This seems to suggest that a clearer and better understanding of transformation and in particular the discrepancy in executive remuneration could be achieved by the application of social identity theory.

Closely related to SIT is structural theory. According to structural theory, the differences between ranks are not determined by economic forces, but rather through cultural processes that create relevant norms of social stratification (Gomez-Mejia et al., 2010). The implication of the theory seems to be that remuneration between different job functions is informed not by objective economic factors, but by compliance with the subjective cultural “norms of proportionality” between genders and different racial groups. Thus, the understanding reached carries with it shared legitimacy regarding employee reward-setting processes and outcomes.

3. Methodology

The research on which this article is based is underpinned by the interpretative paradigm and aims to present a descriptive analysis of the elements of transformation in executive remuneration in the context of South African SOEs.

3.1. Population and sample. The sample of enterprises used for the study was drawn from the directory of SOEs. The enterprises studied fall within different industries, which include financial development, telecommunications, information technology, transportation and freight logistics. A purposive sample was drawn, which comprised 13 respondents chosen for their expertise relating to executive remuneration in the schedule 2 category of South African SOEs as defined by the Public Finance Management Act of 1999. Purposive sampling was undertaken to ensure that the selected sample comprised experts and opinion leaders in the field of executive compensation in South African SOEs.

3.2. Data collection. Primary data collection was conducted through semi-structured individual interviews with 13 key informants. The format of the questions during the interviews was structured so that participants could be asked identical questions in the same order regarding their perception of transformation in executive compensation. The response categories from which participants related their experiences were
problems and Perspectives in Management, Volume 13, Issue 4, 2015

predetermined from the pre-study and literature review. The advantage of the set of questions derived during the pre-study and literature review allowed for some meaningful comparison of responses across participants from different entities in South African SOEs. However, research participants were also encouraged to expand and include any variable that could have been overlooked during the literature review.

Primary data collection was conducted through semi-structured individual interviews with the 13 key informants. The semi-structured interviews were all tape-recorded and notes were taken during the interviews. The tape-recorded interviews were transcribed with the assistance of a professional transcriptionist. The transcribed responses were checked against the tape-recordings for consistency against the original recording by the researcher in order to ensure the integrity and credibility of the research data.

3.3. Data analysis – thematic analysis. Thematic analysis was adopted as a method to analyze data. As described by Braun and Clarke (2006), thematic analysis is a method for identifying, analyzing, and reporting patterns (themes) within data. According to Braun & Clark (2006) thematic analysis minimally organizes and describes data sets in (rich) detail. However, it is also seen as going further by interpreting various aspects of the research topic (Boyatzis, 1998).

Although often (implicitly) framed as a realist/experiential method (e.g., Aronson, 1994; Roulston, 2001), thematic analysis is actually firmly in the second camp, and is compatible with both essentialist and constructionist paradigms. Through its theoretical freedom, thematic analysis provides a flexible and useful research tool, which can potentially provide a rich and detailed, yet complex account of data.

It is for its contextualist strength that thematic analysis was chosen for the current research. In line with the pragmatic philosophy, thematic analysis was considered relevant for its ability to assume a contextualist method sitting the two poles of essentialism and constructionism, characterized by theories such as critical realism (e.g., Willig, 1999). These theories acknowledge the ways individuals make meaning of their experience and, in turn, the ways the broader social context impinges on those meanings, while retaining focus on the material and other limits of “reality”. As emphasized by Braun et al. (2006), thematic analysis can therefore be a method that works both to reflect reality and to unpick or unravel the surface of “reality”.

Since the interviews were organized in question-by-question format, the data were analyzed for common themes, categories and patterns in each question. The initial themes and categories identified were arranged in a manner to inform the codes that were used for a systematic analysis of the data. Through thematic analyses, these themes were crosschecked with the literature reviewed and conceptually grouped into sub-dimensions and dimensions.

Analysis of the information was carried out until repeated themes were identified. The strong themes that were identified were explored further. The interview questionnaire, which was organized question by question, was summarized to illustrate key themes in each question asked. Thus, data coded and summarized were prepared so that the researcher could look across the various summaries and so that it was possible to synthesize the research findings across multiple data sources. An expert in qualitative methods was employed to look at the data from another perspective in order to verify whether the themes that had been identified fitted the emerging patterns.

Data reporting

The researcher sought to validate the findings in the current research by making judgments as transparent as possible, illustrating, and providing an analysis with illustrative quotations best representing the central theme. The researcher also used a reflective research journal in order to manage and mitigate bias and own assumptions. Further, the third-person writing style was used to articulate the interaction between the researcher as an instrument and the research participants.

3.4. Research ethics. In conducting a qualitative study, the usual ethical guidelines apply, including protection from harm, voluntary, informed consent, and participants’ right to privacy regarding anything they might reveal about themselves (Leedy & Ormrod, 2013). Assurance in the form of emphasis on confidentiality as far as participants’ identity and use of data were concerned was emphasized. All attempts were made during the study to ensure that all ethical criteria required to conduct a scientific study were adhered to.

3.5. Strategies employed to ensure quality data. The issue of trustworthiness in qualitative research is important to the practice of good science (Streubert & Carpenter, 1999). This was done by ensuring that the views of the participants and the reconstruction of those views by the researcher coincided (Schurink, Fouche & De Vos, 2011). Transferability was achieved by richly describing the data and providing exact definitions of
constructs as determined by the literature reviewed and cross-validated with experts in executive remuneration. Through dependability researchers should at least strive to enable a future investigator to repeat the study (Shenton, 2004). In order to do this, the researcher documented the research process in a logical and well-structured manner (Schurink et al., 2011) for coherence and ease of understanding. Finally, to achieve conformability, researchers must take steps to demonstrate that findings emerge from the data and not their own predispositions (Shenton, 2004). Regarding conformability, the researcher remained neutral throughout the study and did not manipulate the research.

4. Findings

The research participants were requested to account for the impact of BEE and EEA as transformation elements on executive remuneration in the context of South African SOEs. Consistent with the research objective that the author pursued, a constructivist theory analysis led to structuring the data according to three key themes that emerged, namely input factors, process factors and outcome factors. The emerging themes were further grouped into subthemes and responses, as discussed next.

4.1. Input factors

Table 1. Input themes and responses

<table>
<thead>
<tr>
<th>Theme</th>
<th>Subtheme</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input factors that affect transformation</td>
<td>Less experience</td>
<td>“… female executives joined the ranks later compared to their male counterparts …” (RR5) “… Female executives have to work twice as hard in order to operate and compete with male executives …” (RR8)</td>
</tr>
<tr>
<td></td>
<td>Lack of set guideline</td>
<td>“… there is no different guideline in terms of how we set our remuneration framework and stuff …” (RR6) “… I think it is subconsciously there. However, we haven’t put different guidelines for them …” (RR2)</td>
</tr>
<tr>
<td></td>
<td>Scarcity and retention</td>
<td>“… Two years ago we had none … no black female executives on board because the ones we have keep on getting poached …” “… You will most definitely pay a premium to retain them …” (RR5)</td>
</tr>
<tr>
<td></td>
<td>Race as a complementary factor</td>
<td>“… black female executives tend to be paid much lower than their male counterparts …” (RR3) “… race is important because of the revolving legislation of the employment equity …” (RR7)</td>
</tr>
</tbody>
</table>

(RR) stands for research respondent

4.1.1. Less experience of females in executive positions. Research respondents alluded to the fact that on average, female executives were paid less compared to their male executive counterparts. The reason female executives were paid less was that they joined the executive ranks relatively later than their male counterparts. As stated by research respondent 5:

… the discrepancy in pay between male and female executives was the result of female executives joining the executive ranks later compared to their male counterparts. As a result, women were less experienced and were thus paid less compared to their male counterparts …

4.1.2. Lack of set guideline specific to female executives. Research participants mentioned that although gender could be taken into consideration as a determinant of executive remuneration, there are no set criteria and guideline specific to the remuneration of female executives. SOEs vary as to what should inform executive remuneration. Thus, the absence of a common approach resulted in different institutional practices by SOEs when deciding on executive remuneration. As reflected by research respondent 8:

… there are no different guidelines in terms of how we set our remuneration framework for females. But when we apply to an individual irrespective of gender, I think that is considered.

Similarly, research respondent 2 confirmed the view of the previous respondent and reflected on the informal manner in which executive remuneration was decided:

… We haven’t put different guidelines for females but subconsciously we do …

4.1.3. Scarcity and retention as measures of executive compensation. Some research participants acknowledged that although gender could not be held as a determinant in executive remuneration, the scarcity of females at the executive level forced remuneration practitioners in SOEs to pay more attention to measures to retain them. It is for that reason that some research participants saw fit that those few female executives available be induced to remain with the organization by paying them a premium. As mentioned by research participant 5:

… [female executives] are highly sought after … ensure that you do something to protect them … in certain instances that might mean that we have to do some extraordinary things on how to compensate them … You will most definitely pay a premium to retain them.

4.1.4. Race as a complementary factor to gender. Race was also used to complement gender as a determinant of executive remuneration. That is, the issue of gender became more relevant when color was considered in deciding on executive remuneration, as stated by research respondent 3;
... because black female executives tend to be paid much lower than their male counterparts, that premium is really not a premium because it is exactly what they are paid anyway because it is just that they [are] coming from a lower base. We have given our financial executive who is a female, a bigger retention package ...

4.2. Process factors

Table 2. Process themes and responses

<table>
<thead>
<tr>
<th>Theme</th>
<th>Subtheme</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process factors that affect</td>
<td>Ineffective</td>
<td>“... I think we have seen implements. But I don’t think we are there as yet... the gap is still wide, it is still big...” (RR10) “... there still remains a lack of transparency on how SOEs remunerate their executives...” (RR2)</td>
</tr>
<tr>
<td>affect transformation</td>
<td>implementation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lack of commitment and common</td>
<td>“... EEA and BEE are only important for reporting to show compliance with the law... there is no dedicated drive from institutions...” (RR6) “... I would say broadly as a country, we got to take a position where we say we need to work towards narrowing that gap...” (RR11)</td>
</tr>
<tr>
<td>approach</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(RR) stands for research respondent

4.2.1. Ineffective implementation of the transformation legislation. Despite the implementation of transformation laws on executive remuneration, there is still much concern about the effective implementation of the legislation in order to bring about the required change in remuneration between male and female executives. As mentioned by research respondent 10:

As far as gender is concerned, I’m going to align that to our focus as a country, towards driving transformation which we have done; I think we have seen implements. But I don’t think we are there as yet because I think the gap is still wide ...

4.2.2. Lack of commitment and common approach. Similarly, it seems from the responses that the problem with transformation is not confined to a single organization. There is a need for commitment and application of a common approach at national level as well. Research respondent 11 mentioned:

... we got to take a position where we say we need to work towards narrowing that gap. We can then say we have leveled the play field and therefore, issues of gender, issues of race have been taken care of. Then we can work on basis of merit.

4.3. Outcome factors

Table 3. Outcome themes and responses

<table>
<thead>
<tr>
<th>Theme</th>
<th>Subtheme</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome factors that affect</td>
<td>Role of the media</td>
<td>“... the media exposes the gaps but may also be misinformed about the actual intricacies that govern remuneration...” (RR4) “... The media creates hype around the issue of executive remuneration but provides no solutions to the problem...” (RR6)</td>
</tr>
<tr>
<td>affect transformation</td>
<td>Legacy issues of institutionalized inequality</td>
<td>“...Our reality is the take that we do not have a larger pool of female executives because of our historical imbalances ...” (RR7) “... Females have always been in administrative roles that did not possess the decision making clout ...” (RR9)</td>
</tr>
</tbody>
</table>

(RR) stands for research respondent

4.3.1. Role of the media. Although the implementation of the transformation in executive remuneration was attacked from various sectors, including the media and other interested parties, there seems to be an oversight in terms of what the real cause of the pay gap entails. The media were seen as having succeeded in exposing the gap in executive remuneration along gender and racial lines, but came short in showing the real cause for the gap. As reflected by research respondent 4;

... Executive remuneration is always in the news. It is because of the ethics and corporate governance compliance that organizations are required to adhere to ...

Similarly, research respondent 6 reiterated the role of the media by indicating that it created awareness but provided less insight and few solutions to addressing the pay gap as reflected:

The media has caused a lot of hype and created an interest. However, not much is mentioned about the causes of the huge gaps between executives and the general employees.

4.3.2. Legacy issues of institutionalized inequality. Inequality in executive compensation has been seen as born from the legacy of apartheid, with the effect that few females were available for executive posts. In the past females occupied more of the supportive roles and fewer strategic and decision-making roles. As a result, few of those who managed to acquire educational qualifications were better positioned to
be considered for executive vacancies. Moreover, the number of females with the right qualifications is still very low compared to male executives. As research respondent 7 reflected:

... Our reality is the take that we do not have a large pool of female executives because of our historical imbalances. That has created ... a small pool of highly mobile female executives that are easily poached ...

Overall, it seems that the process of implementation of transformational measures on executive remuneration, which entails the input, process and output factors, has a common factor, which is to establish equity in executive remuneration between male and female and along racial lines. However, the main reason for the lack of transformation seems to be failure to address some of the legacy issues of institutionalized inequality carried over from the past.

5. Discussion

The results of this study reveal important elements that have an impact on transformation in executive compensation. The supporting literature studied and the information obtained by means of individual interviews helped to ensure relevancy and clarity on the level of transformation and the implementation of BEE and EEA on executive remuneration. The findings of this research shed light on what is happening at the operational level in the SOEs, which may not be available in most empirical studies on executive remuneration in South African SOEs.

Criticism of the transformation initiatives is noted by various authors (Krüger, 2014; Schuitema, 2010), who state that BEE has become controversial and has attracted a lot of bad press. However, a few studies, including the aforementioned ones, focused on the general perception of certain sectors of society, such as the media, but did not consider other factors that may be the cause of lack of implementation of transformation on executive compensation.

Findings in this research corroborate previous studies that examined the issue of gender inequality and the impact of race on executive remuneration (Catalyst, 2010; Cascio & Aquinis, 2011) and found that remuneration gaps between different genders were not easily explained by observable characteristics. However, this research has established that inconsistencies and absence of checks and balances clearly exist in terms of the implementation of transformation in executive remuneration. As a result, the goal of transformation is potentially blocked by confusion regarding criteria and by lack of implementation criteria and monitoring measures in place in South African SOEs.

Although there have been formal governance interventions in the form of BEE and EEA, it seems that transformation is still at most at minimal implementation, with companies doing the least that is expected of them. The findings seem to align with the institutional theory, which suggests that remuneration is decided by paying attention to what other organizations do in order to remain on the safe side of the law.

Another finding of this study is that currently female executives are not deliberately discriminated against; it is rather a problem caused by the legacy of past imbalances, which resulted in fewer females being available to occupy executive positions. This finding seems to align with the structural theory. Findings in this research have showed through structural theory that females often come from a lower base compared to their male counterparts when comparing remuneration. Thus, from the structural theory perspective, remuneration is informed not by economic factors, but by compliance with cultural “norms of proportionality” between genders and different racial groups.

Arguments from the literature review seem to corroborate the findings of the study. For example, according to statistics released by a Labor Force Survey (2014), the black African population (both men and women) is the only population with absorption rates lower than the national rates, irrespective of educational level. According to statistical findings, this seems to explain the continuing lack of executives from mainly the black African group to occupy executive positions compared to other racial groups.

Furthermore, what seems interesting in the findings of this research is that, although executive pay was perceived as inflated by observers (Speckman, 2011), research respondents contended that the premium paid was really not a premium, since female executives were coming from a lower base. Thus, it seems the response, whether made consciously or unconsciously, was an attempt to justify the need for paying a premium as an attempt not to discriminate unfairly, but to use it as a strategic intent to address scarce resources and level the playing field in executive remuneration.

In conclusion, the discrepancy between males and females was seen not as a deliberate act to offer females less remuneration than their male counterparts; instead, late entry into executive positions by females due to the legacy of apartheid was seen as the main reason for lower pay compared to their male counterparts.
6. Implications for practice

Given the paucity of research on executive remuneration and transformation in SOEs, a research agenda might focus on three objectives. Although current research has substantiated the social-psychological premises of transformation, the dynamics of setting executive remuneration have not been established. First, in view of the frequent confusion of transformation with related constructs such as BEE and EEA, the discriminability and redress element of the transformation measures should be established. Thus, the development of a tool with greater clarity in terms of the breakdown and the targets necessary to establish equity in executive pay levels needs to be developed to assist in the process of implementing transformation in the context of the South African SOEs.

Given the argument that individual observers often give multiple (and conflicting) interpretations of transformation in organizations and society in general, research should focus on salient subgroups and all SOEs should be engaged in structuring executive pay. First, female executives need to be engaged as part of research teams in search of solutions to the executive pay gap problem. Once the problem is fully recognized, root cause and other analyses need to be completed to determine the causes of the problem and strategies to address them. Accordingly, longitudinal field research that focuses on a variety of newly created transformational remuneration committees is strongly recommended. Such a committee would help to explore: (a) how the previously existing circumstances interact to influence transformation, (b) what qualifications (if any) are necessary or sufficient in order to implement transformation, (c) the sequencing and timing of preliminary conditions in the development of solutions, and (d) the existence of threshold conditions.

Secondly, it would help create a culture of transparency in executive compensation that ensures attention to detail and honest reporting of the gaps in pay between male and female executives and along racial lines.

Lastly, it would help to overcome ineffective implementation of legislation. Female compensation practitioners and female general executive managers responsible for human resources should be engaged in delegation training and monitoring follow-up so that they can appropriately manage the implementation of transformation on executive remuneration in their specific organizations.

Conclusion

The areas of omitted opportunity for transformation in executive compensation were uncovered in this study, which include ineffective implementation of the transformation legislation, the role of the media in exposing the gap in executive compensation along gender and racial lines, but coming short in showing the real cause for the gap, and legacy issues of institutionalized inequality. These findings may have a negative impact on transformation. Failure to implement employment equity and black economic empowerment has been linked to bad press, the legacy of past imbalances, which resulted in fewer females being available to occupy executive positions, and increased discomfort in addressing pay inequality based on gender and race.

In addition, failure to prepare South African state owned enterprises adequately for transformation has also been shown to have negative outcomes. There is confusion regarding criteria and lack of implementation criteria and monitoring measures in place in South African SOEs. Other factors contributing to the problem of transformation seem to be inadequacy of support for implementation, lack of assumption of accountability by SOEs management.

It is clear from the findings that factors contributing to the discrepancy in executive compensation are less experience of female executives, scarcity of qualified executives, late entry of female executives in executive positions, and most of all the ineffective implementation of transformation legislation.

However, it appears that the available provisions of both the employment equity and black economic empowerment are not being maximized or used to the fullest. SOEs are using time that could be devoted to implementing transformation to defend the current packages and gaps in executive remuneration across both gender and racial lines. SOEs are also losing potential opportunity to redress the imbalances due to lack of sense of urgency and teamwork across all SOEs in the implementation of transformation.

Resolution of these factors would improve the implementation of transformation and the realization of the initial objective of the legislation. Of interest here are the factors associated with selecting a means of resolution and the possibility of a sustainable resolution to the implementation problem.

However, whether it is possible to achieve transformation in executive compensation in practice remains to be seen.
References