

Microsoft Dynamics® 365 for Finance and Operations

Axnosis HRM 365 Broad based black economic empowerment (BEE)

White Paper

This paper introduces the Axnosis BEE solution for Microsoft Dynamics 365. This third-party add-on enhances the core Dynamics 365 ERP system with additional data and reporting functionality that meets the requirements of Black Economic Empowerment under South African legislation.

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<http://www.axnosis.com>

HRM 365 for Microsoft Dynamics 365.



Table of Contents

Microsoft Dynamics 365 HRM as a foundation	3
South African Black Economic Empowerment (BEE)	4
BEE Data Management and Reporting in Dynamics 365	5
Code 100 – Ownership	5
Code 200 – Management control.....	7
Code 300 – Skills development	7
Code 400 – Enterprise & supplier development	9
Code 500 – Socio-economic development.....	11
Summary	11
About Microsoft Dynamics 365.....	12
About Axnosis	12

Microsoft Dynamics 365 HRM as a foundation

Microsoft Dynamics 365 human capital management (HCM) allows you to transform your employee experience, optimise your HR programs, increase organisational agility and discover workforce insights. It also helps you take better care of your teams and nurture a high-performance culture in your organisation.

The Covid-19 pandemic in 2020 has accelerated digital transformation programs across most industries and impacted nearly all companies. These changes are likely to be permanent, as new technology enabled efficiencies set a new performance standard. Working from home using remote collaboration is an example of this new environment. The use of digital technologies to improve efficiencies across all aspects of business has accelerated.

In this paper we take a look at one application in human resource management – black economic empowerment (BEE). This is a legislated requirement for all South African companies and is intended to advance the participation of Black South African citizens in the economy.

The Microsoft Dynamics 365 human resources solution is very comprehensive. However, within specific countries and regions there are specific requirements that require modification to the standard ERP system. Recognizing this, Microsoft has designed the Dynamics 365 architecture to be very flexible and customisable enabling the use of third-party add-ons. These add-ons are provided by an ecosystem of solution partners with specialised capabilities, including the partners' own country specific expertise.

Axnosis, as a long-standing Microsoft partner has been developing specialised add-ons to the core Dynamics 365 product for some time.

Axnosis provides the following solutions for Dynamics 365:

- HRM 365 (Human Resource Management)
- GRC 365 (Governance, Risk and Compliance Management)
- OHS 365 (Occupational Health & Safety Management)
- TMS 365 (Treasury Management System)

The unique BEE functionality as described below takes advantage of both the underlying core HR management capabilities of Dynamics 365, in conjunction with the Axnosis HRM 365 add-on and the capabilities of the Axnosis GRC 365 add-on.

South African Black Economic Empowerment (BEE)

In South Africa there is a strong need to advance economic transformation through participation of black people in the South African economy. The policy of BEE was introduced by the South African Government to help achieve this objective. The purpose of BEE is to help ensure that all people in South Africa are provided with the opportunity to participate in the economy irrespective of their historical backgrounds and circumstances.

BEE in South Africa is governed by legislation including:

- the Broad-Based Black Economic Empowerment Act, 2003 (as amended);
- the generic Codes of Good Practice on Broad-Based Black Economic Empowerment (BEE Codes). The revisions to the 2007 version of the BEE Codes were issued on 11 October 2013 and came into force on 1 May 2015; and
- certain sector-specific Codes of Good Practice (Sector Codes). An entity operating in a sector with a Sector Code will be governed by that Sector Code and not the BEE Codes. These sector codes are under constant revision.

A company wishing to do business with the state needs to be BEE compliant in order to provide products or services. For example, a mining company needs to maintain a minimum level of Black ownership in order to be eligible to prospect or mine in a territory. Any company transacting with the state will require formal BEE certification as a prerequisite in order to respond to an RFP (request for proposal or tenders). Apart from a few exceptions such as very small companies this certification must be independently verified. The BEE certification level is based on points that determine the level of certification attained. Level 1 is the highest level of certification and Level 8 is the lowest. Not all companies do business with the State, but their BEE status is still relevant as they might provide services to another company who does business directly with the State. The BEE codes are designed to also encourage these indirect providers to be certified.

There are 5 elements making up the BEE certification scorecard:

- Code 100: Ownership
- Code 200: Management & Control
- Code 300: Skills Development
- Code 400: Enterprise & Supplier Development
- Code 500: Socio-economic development

The current set of BEE elements (also referred in this document as “codes”) came into existence in 2013. At the time the number of codes were reduced from 7 to 5 by amalgamating several categories. Although they contain variations to the original codes, the basic principles remain the same.

BEE Data Management and Reporting in Dynamics 365

Maintaining the data required to calculate the various BEE related scores across the scorecard elements can be a significant administrative workload unless good systems are utilised to track, maintain the data and calculate the score. For customers running Microsoft Dynamics 365, some of this data can be captured in the standard ERP system. However, Dynamics 365 will only support partial scorecard reporting unless additional data is provided. The Axnosis HRM 365 BEE solution provides the necessary additional fields, reports and related functionality to achieve full BEE reporting directly within the Dynamics 365 system.

Axnosis regularly updates the BEE solution to keep in line with the latest legislative changes and reporting requirements, thereby reducing the need for companies to constantly reconfigure their internal systems themselves.

In the remaining sections, a number of selected examples will be used to show how the Axnosis HRM 365 solution supports each of the BEE codes mentioned.

Code 100 – Ownership

Depending on the size of the organisation, entities must achieve a minimum percentage of the annual net value to determine the ownership score. The organisation is valued based on the deemed valuation of shares (equities). The economic interest and share voting rights assigned to individuals from the various empowerment groups are used to calculate a score in line with the codes.

In essence, the ownership element measures the funding attaching shares held by Black shareholders. The equity value to debt value ratios and repayment of the funding must occur in line with certain ratios and formulae in the BEE Codes in order for an entity to score highly.

The Axnosis BEE solution adds fields for Black ownership as shown in the Figure below:

Save + New Delete View in hierarchy Registration IDs Registration ID search Electronic document properties Options

Legal entities

Name: Contoso Entertainment System ... Company: USMF

General

Memo:

Search name: Contoso Entertainmen

In hierarchy: ☐ Yes

Use for financial consolidation proc...: ☐ No

Use for financial elimination process: ☒ No

Full name:

Localized functionality region: Detect using company address

LANGUAGE

Language: en-us

TIME ZONE

Time zone: (GMT-08:00) Pacific Time (US ...)

Addresses

Contact information

Statutory reporting

Company value

Share value: 1,230.00 Currency: ZAR

Company value: 10,004,000.00 Currency: ZAR

Date: 3/25/2020

Date: 9/17/2020

BEE share sold value: 3,400,000.00 Currency: ZAR

Outstanding BEE debt: 2,300,000.00 Currency: ZAR

Ownership (B-BBEE)

ECONOMIC INTEREST

+ Add - Remove

✓	Name	Total %	Black owned	Black woman owned
	Ayanda Nhcomalo	10.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Comfort Hlongwa	40.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>

SHARE VOTING RIGHTS

+ Add - Remove

✓	Name	Total %	Black owned	Black woman owned
	Ntsepeng Letsoisa	20.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Sara Khoza	40.00	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Thomas Thwala	20.00	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Figure 1 The standard legal entity has been enhanced with additional fields for BEE ownership data capture and reporting

Code 200 – Management control

This code measures the extent by which a worker has management control of the organisation in line with the BEE reporting requirements.

Each **worker profile** in the standard Dynamics 365 HRM system is enhanced by the Axnosis BEE solution to allow relevant management control information to be captured and used in the employment equity reports. These fields are found on a dedicated BEE tab added to the worker entity.

On the same tab the workers participation as a board member, his or her voting rights (3-year profile), disability status and ethnic origin together with country/region can also be captured and maintained.

Code 300 – Skills development

One of the objectives of BEE is to encourage the accelerated development of skills. Systems are needed to report on the progress of training and development initiatives within the organisation. Microsoft Dynamics 365 has the necessary functionality that provides the foundation for this reporting.

For BEE purposes, spend on training must be recorded and reported across the various designated groups. The competencies and development tab on the worker entity are used to capture and maintain this information.

In Dynamics 365 this data is then used to compile the nationally economic active report as well as the regional economically active report. Both of these reports are customised and delivered with the Axnosis add-on. These reports compare the organisational skills development information against the national economically active population groups as required under the BEE codes.

All reports in HRM 365 also support the SETA (sector education training association) report requirements. The relevant SETA information can be entered against each course on the course detail form. In-SETA funding can be captured and maintained against each course on the Course Cost form.

The Axnosis BEE add-on for Dynamics 365 also includes additional fields to record BEE data against the course entity as shown in the example below:

[Courses](#)

00001 : Law and Regulations

General

Course ID

00001

Course type

Law

Course title

Law and Regulations

Vendor

GB_SI_000003

Course status

Closed

Scheduling

Setup

Standard

Allow employee self registration

No

Workflow

LOCATION

Course location

RedCity

Classroom

RedRm3

TIME

Start date/time

3/20/2020 02:36:31 AM

End date/time

3/20/2020 02:36:32 AM

Registration deadline

PARTICIPANTS

Minimum number of participants

0

Max. number of participants

20

SETA

Credit-bearing

No

Number of credits on course

0

NQF level

Below level 01

Learning programme matrix

Bursaries

Bursaries

Internships

Learnerships

Learnerships or apprenticeships

Work-integrated learning

Informal training; workplace

Informal training; other

Course description

Target audience

Course objectives

Instructors

Hotels

Course cost

+ New

Delete

Attachments

✓	Cost type	Start date	End date	Amount	Currency	In-SETA funding
	CourseCost	3/22/2020	3/26/2020	1,230.00	ZAR	✓

Total cost

1,230.00

Currency

ZAR

Figure 2 In this example the course information has been enhanced to include SETA related data, the NQF level and the learning programme matrix

Code 400 – Enterprise & supplier development

Enterprise and Supplier Development (incorporating preferential procurement) measures the extent to which entities buy goods and services from Empowering Suppliers with strong **B-BBEE** recognition levels.

All suppliers need to be assessed in terms of their BEE status in order to calculate the total scorecard points for enterprise and supplier development. This information can be recorded in Dynamics 365. Exemptions such as micro enterprises are also provided for.

The screenshot shows the 'Certifications' form in Dynamics 365. At the top, it says 'Certifications | GB_SI_000001 : CONSUMER EQUIPMENT'. Below this, there are two fields: 'Certification type' with a dropdown menu showing 'BEE' and 'Certification number' with a text input field containing '00002'. A 'Details' section is expanded, showing a grid of fields: 'Certifying organization' (dropdown with 'A.Datum Corporation'), 'Due date' (calendar icon), 'Comments' (text area), 'Certification date' (calendar icon with '12/12/2019'), 'Certificate received' (toggle switch set to 'Yes'), 'Effective date' (calendar icon with '12/12/2019'), 'In process' (toggle switch set to 'No'), 'Liability amount/Bond limit' (text input with '0.00'), and 'Expiration date' (calendar icon with '1/17/2020'). At the bottom, there is a 'BEE' section with a dropdown arrow.

Figure 3 The certification entity can be used for BEE tracking and reporting

The Axnosis BEE solution includes pre-configured reports that measure spending with the BEE accredited entities at a transactional level.

It is also possible to use the Dynamics 365 email capability to automatically remind suppliers of expired certifications directly out of the system. These email messages will use templates with placeholders for the supplier name and other details.

The supplier entity in the system is enhanced with added fields for recording fronting practices and a BEE related risk assessment as shown in the example below:

All suppliers

GB_SI_000001 : Consumer Equipment

General
20 | Not Active

Addresses

Contact information

Miscellaneous details
-- | 0.00 | No

Supplier profile
-- ^

☐ Bid only
☐ One-time supplier
☐ Locally owned
☐ Small business

Ethnic origin

☐ Owner is a service veteran
☐ Owner is disabled

BLACK ECONOMIC EMPOWERMENT

Region
Region 1

Local area
Local municipality

Business type
Business type 1

Local community
Loc Com 1

Listed vendor
Yes

BEE vendor exclusion
No

First time supplier (FTS)
Yes

FTS effective date
3/17/2020

Comments

FRONTING

Fronting status
None

Detection date

Outcome date

ENTERPRISE RISK

Risk register
Rreg-00000167

Risk ID
Risk-00001454

Risk label
ERM1

Assessment date
3/25/2020

Residual risk
36.00

Figure 4 The supplier entity has been enhanced with additional fields for BEE including fronting and enterprise risk assessment

During the purchasing process the proposed supplier's status is checked directly within the system and displayed to the buyer.

Code 500 – Socio-economic development

In terms of the BEE Codes of Good Practice, the objective of socio-economic contributions is the promotion of sustainable access to resources for beneficiaries who can leverage these resources to more actively participate in the economy.

Socio-Economic Development contributions are any monetary or non-monetary contribution implemented for individuals (natural individual or group of natural individuals) or communities, where at least 75% of the beneficiaries are classified as black people in terms of race.

Proof of receipt of payments need to be recorded in the prescribed format and records maintained for the purposes of claiming the relevant BEE points in terms of the code. This data is maintained inside Dynamics 365 and requires configuration of the designated beneficiaries within the system.

Summary

Legislative requirements in South Africa relating to Black Economic Empowerment (BEE) is supported in Microsoft Dynamics 365 by the addition of the Axnosis BEE solution add-on. The Axnosis solution enhances the core entities in the standard ERP system to allow management of BEE scorecard data necessary to calculate a score against to the criteria as prescribed under South African Law.

This reduces administrative overhead and enhances the efficiency of managing BEE in a company using Dynamics 365. Furthermore, since the solution is maintained by Axnosis, changes to legislation are readily incorporated ensuring continued compliance by the organisation.

Other benefits:

- The BEE related information is dynamic and available in real time.
- Reduces B-BBEE verifications and consulting costs.
- Reduces time wasted on checking B-BBEE compliance.
- Increases the efficiency of procurement transactions.
- Offers visibility and management of current supplier B-BBEE statuses.
- Supporting documents for verification and other goals are in place.
- Errors are reduced and a clear governance and audit trail is provided.
- With HRM 365; covers all elements to produce an "internal-to-be-audited" scorecard

About Microsoft Dynamics 365

Microsoft Dynamics 365 is a comprehensive enterprise resource planning (ERP) solution for midsize and larger enterprises that empowers people to work effectively, manage change, and compete globally. It makes it easy to operate across locations and countries by standardizing processes, providing visibility across your organization, and helping to simplify compliance.



About Axnosis

Axnosis provides vertical solutions and consulting services to manufacturing, public enterprises and asset intensive organisations; whether corporate companies, public concerns or medium-sized businesses. This is achieved using world class software applications from Microsoft (Dynamics), developing inside Dynamics deep industry specific software and applying decades of business consulting, project management and systems integration skills to the environments. Axnosis consultants have industry knowledge, technology experience and methodologies to deliver these solutions successfully.