

THE SUSTAINABILITY OF EMERGING BLACK CONSTRUCTION COMPANIES: POTENTIAL THREATS

By

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ABSTRACT

Construction plays an important role in South Africa's socio-economic development. The Construction Industry Development Board (CIDB) was therefore developed in terms of the CIDB Act 38 Of 2000 and its reason for establishment is to lead the construction industry stakeholders in construction development. Some of the responsibilities of the CIDB is to ensure that there is skills development and transformation in the industry. On the delivery of infrastructure assets for the benefit of the ordinary citizens of South Africa, there are frequent challenges that contractors tend to experience. Such challenges include a wide range of compliance protocols such as tax compliance issues. The limited knowledge of taxation often result in understatement of income culminating in taxation audits and ultimately significant penalties and unexpected taxation liabilities.

Other critical areas include successful project management of projects including proper costing and scheduling of project activities. The extent of this problem is evident in the number of terminations of contracts of such service providers, where some of them have even been blacklisted on the National Treasury Database of restricted service providers prohibiting them from doing any business with government for a stipulated period. The primary objective of the study was to investigate the factors that contribute to threatening the sustainability of black owned emerging construction companies.

In order to gain an understanding of the problems that contractors face that pose a threat to their sustainability, questionnaires will be distributed to contractors and reviews by interview will be conducted. A qualitative study was therefore conducted. The relationships between the skills set of the contractors, the type of work they have for example, government and/or private sector work, methods of funding projects, periods of receiving payments, SARS compliance requirements and how these factors interrelate with each other was investigated. The causal effect/relationship of each of these on the sustainability of the contractors was determined.

This study involves a case study approach and a qualitative research design. A multiple-case study method was selected to broaden the understanding of the phenomenon under of the study. The two black-owned construction companies used as the subjects for this study were selected on the basis that they would enable this research to determine what factors play a role and what threats are to their sustainability, in spite of the government support programs. The interpretivism approach was used as a means of describing what factors posed threats to the sustainability of emerging black construction companies. The aim of this study was not to test any hypothesis but to rather explore and gain an in-depth understanding of the construction industry, the role of the government and to understand what factors affect the emerging black construction companies to a point of point threats to their sustainability.

The results of this study indicate that a wide range of challenges tend to hamper development and progress of emerging construction companies. Some of these challenges include poor employee retention strategies where very little emphasis is placed on the value of people. Workplace training through formal learnership or artisan programs are non-existent and a formalised role is required in this regard. Performance management is hardly measured or monitored in the business which has a direct impact on prospective growth. Cash flow is a critical challenge in the business and the study finds that financial management administrative skills are lacking. Financial management administration is linked to cash flow management and cash flow projections. The study also contributes to emerging theories such as business planning in relation to sustainable growth and innovation of SMEs.

Table of Contents

CHAPTER 1	1
BACKGROUND AND THE OBJECTIVES OF THE STUDY	1
1.1 Introduction	1
1.2 Problem Statement.....	2
1.2.1 Background, Nature and Extent of the Research Problem.....	2
1.2.2 Importance of Solving the Problem	2
1.2.3 Potential Causes of the Problem	3
1.2.4 Previous Studies on the Problem	5
1.2.5 The Management Question	6
1.3 Research Objectives	7
1.3.1 Primary Objective	7
1.3.2 Secondary Objectives	7
1.4 Research Questions.....	8
1.5 Approach to the qualitative study	8
1.6 Outline of the study	9
1.7 Conclusion	10
CHAPTER 2	11
LITERATURE REVIEW	11
2.1 Introduction	11
2.2. Background: Post-1994 Socio-Economic climate.....	12
2.3 Small and Medium-Sized Enterprises (SMEs)	13
2.3.1 Defining Small and Medium-Sized Enterprises (SMEs)	13
2.3.2 The Role and Importance of SMEs	16
2.3.3 Basic business management requirements for the success of SMEs	18
2.3.4 Challenges Faced by SMEs	21
2.4 The Construction Industry	23
2.4.1 Defining the Construction Industry	23
2.4.2 The South African Construction Industry.....	24
2.5.1 The National Home Builders Registration Council.....	27
2.5.2 The Construction Industry Development Board.....	28
2.5.3 The Promotion of Trades Through Vocational Education	29
2.5.4 The Development of various Funding Institutions	32
2.5.5 Contractor Development Programmes	33
2.5.6 Legislative and Regulatory initiatives	36
2.6 Strategy Formulation	37
2.6.1 Environmental Analysis	39
2.6.2 PESTEL Analysis	39
2.6.3 Porter's Five Forces Analysis	39
2.6.4 SWOT Analysis	41
2.7 Chapter Summary	41
CHAPTER 3	43
RESEARCH METHODOLOGY	43
3.1 Introduction	43
3.2 Research Paradigms.....	43
3.2.1 Quantitative paradigm	44
3.3.2 Interpretivism/ Qualitative Methodologies.....	47
3.3.3 Case Study Method.....	48
3.3.4 Case Study Protocol.....	48

3.3.5 Sampling Design	49
3.3.6 Data Collection	49
3.3.7 Reliability, Validity and Triangulation.....	51
3.4 Research Method for this study – Multiple Case study.....	51
3.5 Case Study Subjects for this Study	52
3.6 Case Study Protocol for this Study.....	52
3.6.1 Ethical Considerations.....	53
3.6.2 Field Procedures	53
3.6.3 Data Collection Methods	54
3.6.4 Interviews	54
3.6.5 Data Collection Instruments	54
3.6.6 Data analysis and interpretation	55
3.7 Chapter Summary	55
CHAPTER 4	57
ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS	57
4.1 Introduction	57
4.2 Case A - Biographical Data of Interviewee	58
4.3 Case A - About the Organisation.....	58
4.4 Case A - CIDB Status and Entity Development.....	59
4.5 Case A - Strategy Formulation	59
4.6 Case A - Specific Strategies.....	61
4.6.1 Case A - Corporate/Growth Strategy.....	61
4.6.2 Case A - Human Resource Strategy	62
4.6.3 Case A - Marketing Strategy	63
4.6.4 Case A - Financial Strategy.....	64
4.7 Case A - External Environment Analysis	65
4.7.1 Case A - PESTEL Analysis	65
4.7.2 Case A - Porter’s Five Forces Analysis	66
4.8 Case A - SWOT Analysis	69
4.9 Case B - Biographical Data of Interviewee.....	70
4.10 Case B - About the Organisation.....	70
4.11 Case B - CIDB Status and Entity Development.....	71
4.12 Case B - Strategy Formulation	73
4.13 Case B - Specific Strategies.....	74
4.13.1 Case B - Corporate/Growth Strategy.....	74
4.13.2 Case B - Human Resource Strategy	75
4.13.3 Case B - Marketing Strategy	76
4.13.4 Case B - Financial Strategy.....	78
4.14 Case B - External Environment analysis	79
4.14.1 Case B - PESTEL Analysis	79
4.14.2 Case B - Porter’s Five Forces Analysis	79
4.15 Case B - SWOT Analysis	83
4.16 Chapter Summary	83
CHAPTER 5	85
SUMMARY, RECOMMENDATIONS AND CONCLUSION	85
5.1 Introduction	85
5.2 Reflective Summary - Biographical Data of Interviewees.....	85
5.3 Reflective summary - About the Organisations	86
5.4 Reflective Summary - CIDB Status and Entity Development	86
5.5 Reflective - Strategy Formulation	87

5.6 Reflective Summary - Specific Strategies	88
5.6.1 Corporate/Growth Strategy	88
5.6.2 Human Resource Strategy	88
5.6.3 Marketing Strategy	89
5.6.4 Financial Strategy.....	90
5.7 Reflective Summary - External Environment Analysis.....	91
5.7.1 PESTEL Analysis	91
5.7.2 Porter’s Five Forces Analysis	91
5.8 Reflective Summary - SWOT Analysis	93
5.9 Recommendation no.1 - CIDB Status and Entity Development	93
5.10 Recommendation no. 2 - Strategy Formulation	94
5.11 Recommendation no. 3 - Specific Strategies	94
5.11.1 Recommendation no. 3a - Corporate/Growth Strategy	94
5.11.2 Recommendation no. 3b - Human Resource Strategy	95
5.11.3 Recommendation no. 3c - Marketing Strategy	96
5.11.4 Recommendation no. 3d - Financial Strategy	97
5.12 Recommendation no. 4 - External Environment analysis	97
5.12.1 Recommendation no. 4a - PESTEL Analysis	98
5.12.2 Recommendation no. 4b - Porter’s Five Forces Analysis	98
5.13 Recommendation no. 5 - SWOT Analysis	100
5.14 Limitation(s) of the study	100
5.15 Recommendations for further Research.....	101
5.16 Summary and Conclusion of the Study	101
6. Literature Consulted	103
7. Annexure A	113
8. Annexure B	114

List of Tables

Table 1: Micro, Very Small, Small and Medium Enterprises as per the Eleven Different Sector.....	15
Table 2: Factors playing a significant role in the construction industry and/or project environment.....	24
Table 3: CIDB Register of Contractors according to class of work.....	29
Table 4: National Certificate Qualification Subject Matrix.....	31

CHAPTER 1

BACKGROUND AND THE OBJECTIVES OF THE STUDY

1.1 Introduction

According to Statistics South Africa (StatsSA), poverty is on the rise and more than half of the 56.5 million population is poor. The unemployment rate is 27.7% as in the quarter 2 of 2017 (StatsSA, 2017).

Construction plays an important role in South Africa's socio-economic development. The Construction Industry Development Board (CIDB) was therefore developed in terms of the CIDB Act 38 Of 2000 and its reason for establishment is to lead the construction industry stakeholders in construction development. Some of the responsibilities of the CIDB is to ensure that there is skills development and transformation in the industry (CIDB, 2017).

Looking at the government infrastructure implementation space it has become apparent that there are a number of challenges that emerging black owned construction companies (contractors) are struggling with such as; tax compliance, delays in receiving payments for funds owed by government, their over reliance on tendering for government work, periods of no work to cover overhead costs, compromised quality of work, lack of adequate business financial and project management skills etc. thus a threat to their sustainability. These challenges (among other) affect not only those contractors but also their employees, government's service delivery efforts and ultimately the intended beneficiaries of such social infrastructure for example, schools, roads etc.

A possible solution to these challenges would be that these companies should learn and implement adequate business, financial and project management principles as well as government to improve on its operational inefficiencies that lead to delays in payments of service providers. This empirical study will contribute towards gaining a

better understanding of the causes of such challenges, the effects thereof and propose possible solutions.

1.2 Problem Statement

1.2.1 Background, Nature and Extent of the Research Problem

On the delivery of infrastructure assets for the benefit of the ordinary citizens of South Africa, there are frequent challenges that contractors tend to experience. Such challenges are their tax compliance issues with South African Revenue Services (SARS) resulting in an inability to pay them or SARS demanding direct payments to them, delays in transfer of funds by government departments resulting in delays in paying service providers, their sole reliance on tendering for government work and sometimes experiencing periods of not having work that would enable them to cover overhead costs etc. where such challenges affect their ability to deliver a quality service/work and within the agreed upon time frames and thus a threat to their sustainability. The extent of this problem is evident in the number of terminations of contracts of such service providers, where some of them have even been blacklisted on the National Treasury Database of restricted service providers prohibiting them from doing any business with government for a stipulated period.

1.2.2 Importance of Solving the Problem

There are risks associated with not solving the problem such as; the undoing of any progress made through industry transformation efforts, delays in completion of projects due to cash flow challenges, higher costs in appointing replacement contractors/service providers, compromised quality of work, liquidations/insolvency of contractors, employees lose jobs thus increasing the unemployment rate, fruitless and wasteful expenditure incurred through paying interest claims for delays in payments, negative impact on government expenditure, public/beneficiaries do not get the infrastructure assets when they are needed but at later stage. The existence of such risks results from threats such as the operational inefficiencies in Government Departments in processing and making payments, lack of business

administration skills of service providers, over-reliance on government work and no balance with private sector work.

The benefits of solving the problem are that there will a better understanding and appreciation of the causes of such challenges, their extent and resulting impact on the industry transformation efforts of government, the lack of adequate business administration skills of these contractors including financial management, project management etc. Furthermore, it will highlight the extent and impact of government inefficiencies resulting in delayed payments of service providers and how that threatens their sustainability as well as the effect on the delivery of infrastructure assets that are cost effective, on time and of good quality for use by intended beneficiaries.

1.2.3 Potential Causes of the Problem

Non-compliance with legislative and regulatory requirements:

The contractors' tax affairs are not handled well or by persons who possess the adequate skills thus leading to the necessary tax returns not filed or making incorrect calculations of the amounts due later leading to huge tax debts (with interest and penalties) when SARS performs its own reviews/audits. Furthermore, the lack of sufficient cash or reserves affects their ability to pay SARS when such payments are due. The impact of this is that SARS does not give them a compliant tax clearance status which would enable them to tender for other work or receive payments due to them.

The pressure caused by the bidding process on profit margins:

As required by section 217 of the South African Constitution procurement needs to be fair, economical transparent etc. National Treasury requires that the relevant laws and its regulations be applied in all government procurement. Contractors bid for work, where among other things price and B-BBEE determine who gets awarded tenders. Due to the fact that price carries a significant portion of the weighted score, contractors often quote prices that are too low that some projects do not become

profitable or make any business sense to go ahead with. This then negatively affects their profit margins, threatens their liquidity and ultimately their solvency (Price Waterhouse Coopers, 2013).

Inability to meet contractual obligations:

When contractors do not have the necessary construction guarantees, they tend to opt for a retention percentage of any payments due as a form of security. The impact of this is that with each certificate that they receive a payment for, they receive less of their funds which they could have re-invested elsewhere or cover other financial obligations that have become due. Furthermore, when they cannot complete a project on the agreed upon time frame, they incur penalties for the extension of completion time and such penalties further erode their profit margins.

Government delays making payments:

Government operates in a manner that seems to have a lot of avoidable inefficiencies as they seldom pay within the 30 day period. This is evident in that although section 8.2.3 of the National Treasury Regulations to the Public Financial Management Act of 1999 (Legislation - PFMA - Treasury Regulations, 2017) requires that service providers should be paid within a period of 30 days from the date of receipt of an invoice, unless there is another agreement or contract that provides for a different period.

Lack of business management skills:

The government's facilitation of transformation of the industry did not quite address the lack of business administration and financial management skills. These contractors struggle to run their businesses in a professional, profitable and sustainable manner. They do not do proper due diligence and feasibility assessments of which projects should be accepted and which ones to be rejected. They also fail in doing proper planning of how to manage all projects and required cash flows or projections thereof, taking into account possible delays in receipts of payments by government. They do not manage their businesses to create a

competitive advantage such that they can also get work in the private sector to mitigate risk associated with doing business with government. These emerging businesses can benefit through using technologies in developing and promoting their businesses so that they can secure work not only from the government (Bagautdinova, Belikov, & Murtazin, 2016, 54).

1.2.4 Previous Studies on the Problem

A study was undertaken to determine the role of government in the development of sustainable small to medium construction companies in the Free State Province. The shortcoming of that study is that it looked at companies whose Construction Industry Development Board (CIDB) grading was from 1 to 4 regardless of the ownership thereof. This study will specifically focus on black-owned construction companies regardless of their CIDB grading level as there are specific challenges that affect these companies.

The second study explored the procurement challenges in South Africa by looking at the applicable legislative framework and challenges that have been encountered in their application. The shortcoming of this study is that it does not address the problem caused by such legislation to the sustainability of black owned service providers particularly in the construction industry.

The third study focused on the impact that the lack of adequate skills has on the construction sector in Kwa-Zulu Natal. The study does not address the challenge posed by over-reliance of government work and not balancing their order books with private sector work that would enable contractors to mitigate/minimise the risks posed by government related work.

The fourth study focused on the challenges as well as benefits that Information Communication Technology (ICT) has on the construction industry including at the construction project level. The shortcoming of this study was that it was mainly focusing on ICT although there are a number of other challenges that contractors are faced with.

The fifth study focused on the perceptions of what the major challenges are the construction industry is faced with and what how that impact on the industry performance, its growth and development. The shortcoming of the study is that is that it does not include government's inefficiencies as part of the challenges within the industry.

1.2.5 The Management Question

Government should look at how its inefficiencies impact on contractors:

The implementation of Broad-Based Black Economic Empowerment (B-BBEE) has enabled that there be some transformation in the industry however it also gave rise to other problems that made it become ineffective at times e.g. Fronting, awarding work to incapable service providers (Fidelis & Ruan, 2013, 126-127). Delays in payment of service providers negatively impacts on their cash flows, additional interest expense through using more borrowed funds, possible delays on the project execution as a result of lack of funds (Chadhliwa, 2015, 40).

Enhancement of business, financial and project management skills:

The authors (Allopi & Ntuli, 2014, 570-575) state that government has put greater emphasis on transforming the industry to facilitate the participation of emerging black contractors and small contractors. However, the downside of this was that this was not properly regulated and managed to ensure that these contractors have the necessary experience and skills to manage their companies in a sustainable manner. The introduction of contractor development programmes, joint venture and sub-contracting relationships to a certain degree assists in such a problem.

Securing work from government and private sector:

According to the authors (Ambe & Bardenhost-Weiss, 2012, 243-250) there are numerous challenges that the public sector faces such as non-compliance to the applicable policies and regulations, fraud and corruption etc. (Bowen, Edwards, & Cattell, 2012, 885). Additional to these, the risks associated with delays in payments

negatively affects the cash flow of contractors as posing threats to their sustainability (Abdullahi, Ibrahim, Ibrahim, & Ahmadu, 2017, 33).

Enable cost effective, timeous delivery of good quality infrastructure assets:

The authors (Akinbile & Oni, 2016, 164) state that there are a number of benefits that ICT generates for contractors as it provides less expensive means of communication, helps save time, help improve productivity, gives access to valuable information. There are also a number of other factors that contribute to whether or not a contractor will be able to deliver on projects in a cost effective, timeous manner while and of good quality.

Sustainability of contractors contributes positively to the economy:

According to the authors (Windapo & Cattell, 2013, 65-79) when the construction industry is compared to other industries, it is clear that it is quite significant on the South African economy as it interlinks with other industries e.g. banking, manufacturing etc. Furthermore, the industry crucial role in the socio-economic development of the country as through it a number of employment opportunities are created, as well as small enterprise creation.

1.3 Research Objectives

1.3.1 Primary Objective

The primary objective of the study is to investigate the factors that contribute to the threatening of the sustainability of black owned emerging construction companies.

1.3.2 Secondary Objectives

In order to achieve the above-mentioned primary objective, the following secondary research objectives have been pursued:

- To conduct a literature review in order to gain an understanding of the construction industry and the problems that contractors encounter;
- To acquire an understanding of the legislation and any other regulatory requirements affecting the construction industry;
- To investigate the effectiveness of contractor development programmes and their contribution towards the development of black contractors;
- To develop a questionnaire to be distributed to respondents and conduct interviews in order to obtain the relevant information to compile the research;
- To investigate the factors that contribute to threatening the sustainability of black contractors;
- To analyse the data collected and make recommendations on possible solutions to help reduce the threats to the sustainability of emerging black contractors;

1.4 Research Questions

This study should be able to answer and provide more understanding on the extent on the following research questions:

- What is the extent to which government inefficiencies negatively impact on the contractors ?;
- What is the extent to which and reasons why contractors over-rely on government work to keep their businesses operational ? ;
- Are contractor development programmes are as effective as they should be ?;
- What is the extent of the lack of business, financial and project management skills of these contractors ?;
- What is the impact on the society and the economy when the sustainability of contractors is threatened?

1.5 Approach to the qualitative study

In order to gain an understanding of the problems that contractors face that pose a threat to their sustainability, questionnaires will be distributed to contractors and reviews by interview will be conducted. A qualitative study will therefore be conducted. The relationships between the skills set of the contractors, the type of

work they have for example, government and/or private sector work, methods of funding projects, periods of receiving payments, SARS compliance requirements and how these factors interrelate with each other. The causal effect/relationship of each of these on the sustainability of the contractors will be investigated.

1.6 Outline of the study

The research will have the following chapters:

Chapter 1: Background and the objectives of the study

Chapter 2: Literature Review

Chapter 3: Research Methodology

Chapter 4: Analysis and discussion of Research Findings

Chapter 5: Summary, Conclusion and Recommendations

In Chapter 1 the scope of the research study is described. This included the introduction, the problem statement, the objectives of the study and research questions.

Chapter 2 contains a review of literature on the construction industry broadly, relevant applicable legislation or regulations, the South African government industry transformation initiatives, employment creation through the industry, threats to and opportunities for small and medium enterprises in general, the advent of black construction companies – their role, challenges and success factors.

In Chapter 3 the research methodology applied in this research study is explained in detail. The different research paradigms are explained, compared and contrasted. This chapter covers the detail of the case study method this research follows, particularly the multiple case study method chosen rather than the single case study method. Furthermore, a logical explanation is given on why sampling logic and/or sample sizes are irrelevant to this case study research, which is qualitative in nature.

Chapter 4 is about analysing and interpreting the data collected when the interviews with the subjects were conducted. The findings are logically reported in order clearly

indicate the background of each business, its customer base, challenges and opportunities.

In Chapter 5 the literature review conducted in Chapter 2 and the research findings in Chapter 4 are used as a basis for developing recommendations on how to eliminate, minimise and/or manage threats to the sustainability of the emerging black construction. This chapter also contains suggestions for future research studies.

1.7 Conclusion

Chapter 1 outlined the background of the study by highlighting the potential challenges affecting emerging black construction companies in order to understand what threatens their sustainability. The importance of addressing this problem was also explained. The objectives of the study were clearly stated as these are key to ensuring that the management question is answered by this study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Chapter 1 provided a general overview of this study, in particular the significance of the research undertaken and the purpose of this study. This chapter contains an in-depth literature review on the Small and Medium-Sized Enterprises (SMEs), the construction industry and paying more attention in particular the South African construction industry. The literature review also includes government's efforts, programmes and supporting legislation that is relevant to the construction industry. The role and the importance of SMEs, the factors that would enable them to succeed and the critical challenges they encounter. Basic business management requirements for the success of SMEs.

This chapter puts focus on the construction industry and the importance of the role it plays on the economy and in the achievement on the Government's targets in accordance with the National Development Plan 2030. According to Statistics South Africa (StatsSA, 2017), poverty is on the rise and more than half of the 56.5 million population is poor. The unemployment rate is 27.7% as in the quarter 2 of 2017 (StatsSA, 2017).

Construction plays an important role in South Africa's socio-economic development. The Construction Industry Development Board (CIDB) was therefore developed in terms of the CIDB Act 38 Of 2000 and its reason for establishment is to lead the construction industry stakeholders in construction development. Some of the responsibilities of the CIDB is to ensure that there is skills development and transformation in the industry (CIDB, 2017). The importance of economic growth and development through skills building is also discussed in the literature review, particularly Technical and Vocational Education and Training.

This chapter explores the mechanisms that the CIDB puts in place for example, contractor development programmes, developing norms and standards to regulate

the industry, getting into partnerships with the relevant stakeholders so that the CIDB delivers on its mandate. Some of the challenges that small businesses are facing the availability of financial resources and different government funding institutions are explored.

2.2. Background: Post-1994 Socio-Economic climate

In 1994, after South Africa had its first democratic elections, a new government was established. As part of the new government's priorities, it was important to rebuild and transform the economy after the financial sanctions and economic isolation experienced during the apartheid era as enforced by the international community (South African History, 2017). The new government deemed it necessary to redress the legacy of exclusion of certain sectors of the population from the country's mainstream economy. This prompted the development of a preferential procurement policy that would empower these previously disadvantaged groups so that they could benefit from public sector expenditure by means of employment creation and participation in commercial activities (Raga, Bayat, & Ferreira, 2012, 86). The government thus embarked on a journey of initiating such changes to key economic policies, hence the development of the Reconstruction and Development Programme (RDP) which was chosen as the primary socio-economic programme. When government realised some shortcomings of the RDP, the Growth, Employment and Redistribution (GEAR) Strategy was introduced in order to stimulate faster economic growth. In spite of all these efforts, unemployment still remained a challenge (South African History, 2017).

In 2005 GEAR was then replaced by the Accelerated and Shared Growth Initiative for South Africa (ASGISA), which in turn was replaced by the New Growth Path. Later, the National Development Plan was introduced, which is the long term socio-economic development road map (South African History, 2017).

The post-apartheid government applies an acceleration approach in order to ensure that small business as well as an entrepreneurial culture is developed, supported and promoted. The Department of Trade and Industry became instrumental in this initiative, hence their development of the White Paper on SMMEs in 1995 (Mahadea,

et al., 2013, 36). Some of the key objectives of this small business strategy are; to create and enabling environment for small enterprises, to address the legacy of apartheid-based disempowerment of black business, support the advancement of women in all sectors of business, create long term jobs, stimulate sector-focused economic growth (DTI, 1995).

According to the White Paper on Small businesses (DTI, 1995), experience has shown that in the past, black people have been able to progress much more in the small and micro enterprises compared to medium and larger enterprises. It was by this reason then that the SMME sector was deemed as the appropriate means for black economic empowerment.

2.3 Small and Medium-Sized Enterprises (SMEs)

2.3.1 Defining Small and Medium-Sized Enterprises (SMEs)

The term Small and Medium-Sized Enterprise has a wide range of definitions as well as measures and these might also be different from country to country. In general, measures such total revenue, total net assets, level of investment and/or the number of employees are often used to determine that an organisation is categorised as an SME. The number of employees is the most frequently used measure to determine that an organisation if an SME, and the general cut-off is 250 employees (Ayyagari, Beck, & Demirguc-Kunt, 2007, 416). Small business is also defined as a business that is owned and operated independently, for a profit and has no dominance in its industry or sector (Turner & Endres, 2017). Due the fact that the definition of SME relatively differs and the diversity of small business, every definition is therefore subject to being criticized (Chuthamas, Aminul, Thiyada, & Dayang, 2011, 181).

There appears to be consensus in the literature in that there is no generally accepted way of really defining what small business really is and a definition largely depends on the purpose thereof (Mahadea, et al., 2013, 34; Longenecker, Petty, Palich, & Hoy, 2014, 4-5). What is considered a small business is therefore relative and both qualitative and quantitative factors are used to determine whether a business can be

classified as a small business (Mahadea, et al., 2013, 34). The following are the qualitative and quantitative factors/characteristics used:

Qualitative:

- Independence of management or control by a large business unit;
- Management is undertaken by owners;
- Has a relatively small market share.

Quantitative:

- Number of employees;
- Turnover/total revenue per annum;
- Size of capital employed/invested or total assets.

According to the National Small Business Act (National Small Business Act no.102, 1996), a small business means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations managed by one owner or more which can be classified as – a very small, a small, or medium enterprise.

The Act, furthermore includes a survivalist enterprise in the form a micro-enterprise that has less than five (5) people. These are the types that are run by people who live on or earn income that is below the poverty line and who really struggle to survive or find employment anywhere (Mahadea, et al., 2013, 35).

As per the definition of a small business, the National Small Business Act, takes into account qualitative factors that define what a small business is. Furthermore, the Act also provides for quantitative criteria of defining the four different categories of small businesses namely; micro-enterprises, very small enterprises, small enterprises and medium enterprises. These are per Table 1 on the next page.

Table 1: Micro, Very Small, Small and Medium Enterprises as per the Eleven Different Sectors

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
		<i>Less than:</i>	<i>Less than:</i>	<i>Less than:</i>
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small Micro	10	R 0.40 m	R 0.40 m
		5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small Micro	20	R 3.00 m	R 1.80 m
		5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R40.00 m R10.00	R15.00 m
	Small	50	m	R 3.75 m
	Very small Micro	20	R 4.00 m	R 1.50 m
		5	R 0.15 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R40.00 m R10.00	R15.00 m
	Small	50	m	R 3.75 m
	Very small Micro	20	R 4.00 m	R 1.50 m
		5	R 0.15 m	R 0.10 m
Construction	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small Micro	20	R 2.00 m	R 0.40 m
		5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R30.00 m R15.00	R 5.00 m
	Small	50	m	R 2.50 m
	Very small Micro	10	R 3.00 m	R 0.50 m
		5	R 0.15 m	R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	R50.00 m R25.00	R 8.00 m
	Small	50	m	R 4.00 m
	Very small Micro	10	R 5.00 m	R 0.50 m
		5	R 0.15 m	R 0.10 m
Catering, Accommodation and other Trade	Medium	100	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small Micro	10	R 1.00 m	R 0.20 m
		5	R 0.15 m	R 0.10 m

Transport, Storage and Communications	Medium	100	R20.00 m	R10.00	R 5.00 m
	Small	50		m	R 2.50 m
	Very small Micro	10		R 2.00 m	R 0.50 m
		5		R 0.15 m	R 0.10 m
Finance and Business Services	Medium	100	R20.00 m	R10.00	R 4.00 m
	Small	50		m	R 2.00 m
	Very small Micro	10		R 2.00 m	R 0.40 m
		5		R 0.15 m	R 0.10 m
Community, Social and Personal Services	Medium	100		R10.00 m	R 5.00 m
	Small	50		R 5.00 m	R 2.50 m
	Very small Micro	10		R 1.00 m	R 0.50 m
		5		R 0.15 m	R 0.10 m

Source: National Business Act no 102 of 1996

2.3.2 The Role and Importance of SMEs

The government has prioritised entrepreneurship and the advancement of SMEs in order to fast track the achievement of economic growth and development. The Department of Trade and Industry (DTI) takes centre stage in ensuring that it works with other government institutions in ensuring that there are policies that support the advancement of small businesses, through ensuring that they are equipped with financial and non-financial assistance that they need (DTI, 2017). The importance of issues that relate to funding, skills training and regulation has been a topical issue over the past decade in South Africa where policies for the development of SMEs is concerned. Enhanced access to finance, skills and business management training, more flexible and supportive regulatory environment is well recognised in DTI's Integrated Small Enterprise Development Strategy (Rogerson, 2008, 62).

The role and importance of small businesses and the seriousness with which the government takes it is evident through, among other initiatives, the development of the White Paper on Small Businesses. This is a document of the Department of Trade and Industry which basically outlines the National Strategy for the Development and Promotion of Small Business in South Africa.

It has been globally recognised that small business plays a significant and a critical role in the socio-economic development of any country. The same applies to South

Africa, as the small business sector was previously not given the attention it deserves as more attention was given to large industrial, mining and other enterprises for economic growth. Due to South Africa's history of big business domination, controlled or limited competition and unequal wealth and income distribution, the small business has therefore been seen as an opportunity to address the issue of unequal wealth or income distribution, while also enhancing competition to boost the development of the economy (DTI, 1995).

There are a number of different benefits generated through small businesses, such as – creation of employment opportunities, provision of a pleasant working environment, generation of economic growth, generation of innovation and the stimulation of competition (Mahadea, et al., 2013, 42-46). It is however argued that SMEs have a greater impact on more developed economies where there are higher literacy levels, low inflation rates and financing organisations (Booyens, 2011, 67). Small businesses play an important role in regional economic development.

The development and growth of the economy of the country is also positively impacted by the small business sector and in many countries this economic growth is heavily relies on these SMEs. This is particularly the case in developing economies as contribute significantly to the country's Gross Domestic Product (Visser, Chodokufa, Amadi-Echendu, & Phillips, 2016, 94-95). SMEs are key to creating a more competitive and productive environment and seem to be more cut out for survival as easily thrive in changing and integrated environments (Ludmila, Lubor & Dimitris, 2017, 37). An increase in foreign direct investments is realised where there are policies in support of such investments and incentives that are offered to foreign investors into targeted activities (Khoase & Govender, 2013, 599).

The involvement of SMEs in public sector procurement is mutually beneficial for any economy as SMEs are able to offer prices that are more competitive due to the lower administration overheads and much more streamlined business processes and operations. The use of SMEs that are locally-based contributes positively to the economy and health of that particular region, hence there are some polices developed in support of local economic empowerment (Flynn & Davis, 2017, 340).

The President, Mr Jacob Zuma stated (SONA, 2017) that although there is a National Development Plan which is aimed at reducing poverty, inequality and unemployment by 2030, the economy has however not grown as fast as would have been desired hence the development of the Nine Point Plan. This Nine Point Plan is focusing on specific areas such as the support and development of SMEs in order to boost the economy and create the needed jobs (SONA, 2017). The South African government has taken the issue, of supporting and growing small businesses, to a higher level by the creating of the Department of Small Business Development in 2014. On the overall competitive strategy, in the year 2015, IDM ranked South Africa 53rd out of 61 countries. This therefore indicates that South Africa still has a long way to go, as it was also the second last ranking on the BRICS countries, with Brazil being lowest ranking. South Africa is going to have to make serious improvements on its schooling and educational system, in order to foster and inculcate a culture of entrepreneurship (SARB, 2015).

2.3.3 Basic business management requirements for the success of SMEs

It is very important that the government takes an active role in ensuring that SMEs are well informed about any incentives that are available to them and how they can access such incentives. It is also important that these incentives be offered through channels or organisations that care about and fully understand the importance of SMEs to the country (Chuthamas, Aminul, Thiyada, & Dayang, 2011, 185). The government should take a proactive approach in reaching out to businesses and informing them of policy changes and also explain decisions that government has taken regarding SME's. Furthermore, the government may have consultative or participation sessions especially for SMEs as they are more in need to government engage the government regarding opportunities, and the status quo is that businesses are prioritised on the agenda of the government (Wang & Yu, 2017, 715). There are a number of different benefits generated through small businesses, such as – creation of employment opportunities, provision of a pleasant working environment, generation of economic growth, generation of innovation and the stimulation of competition (Mahadea, et al., 2013, 42-46).

A business owner must be someone who has a healthy appetite for accepting risk and one who understands and appreciates the possibility of failure due to decisions that he/she makes (Ludmila, Lubor, & Dimitris, 2017, 38). The success of businesses is closely linked to the characteristics of the small business owner. Some of these attributes include things such as strong will or belief in oneself and an ambition or the level of determination or desire to achieve success. Furthermore, some of these attributes also include having a good sense of creativity, having strong negotiation skills, being hard working and having self-discipline (Turner & Endres, 2017, 36). Self-discipline and a strong internal locus of control become particularly important as owners of small businesses have no supervisors that would keep them in line and only have some few routines within the organisation that inform them of what they should be doing contrary to formal employment where these would be more structured (Glaub, Frese, Fischer, & Hoppe, 2015, 25).

In order to achieve sustainability in small businesses, there needs to be strategic and operational business planning and the need to develop and integrate innovation to ensure sustainability and future growth of the business. The challenge with small businesses is that they tend to know their products or services but fail to have strategic and operational business plans which would enable them to perform better than their competitors in instances where demand and/or resources are limited (Turner & Endres, 2017, 39). A good foundation laid through primary and secondary education positively influences a person's sense of self-efficacy and self-confidence (Visser, Chodokufa, Amadi-Echendu, & Phillips, 2016, 103).

Entrepreneurial education can help in attempting to bridge these gaps noted as it increases exposure to skills set of how to run and manage businesses and exploit opportunities and it has also been found to have a positive impact on the rate/number of start-up businesses. Entrepreneurial education has thus been found to be an effective way of overcoming some of the challenges facing small businesses, such as access to information, business management skills, leadership skills, financial management skills etc. (Studdard, Dawson, & Jackson, 2013, 3 & 5).

It is important for small business owners to have a combination of the technical and conceptual skills as they play a dual role of being the supervisor, which requires

technical skills, as well as manager roles, which needs conceptual skills. Conceptual skills refer to the ability to understand the business and the interrelationships among its different components thus enabling the manager to have good problem-solving skills, decision-making, planning and organising skills (Visser, Chodokufa, Amadi-Echendu, & Phillips, 2016, 95,100 & 101).

Innovation in small businesses is important as adaptation to new technologies and applying them in a manner that works well with the local conditions positively impacts on productivity (Booyens, 2011, 67). Knowledge is important and fundamental in economic growth theories as innovation is associated with the application of new knowledge which is generally acquired through Research and Development activities. Innovation then allows an organisation to create new products, services, processes and organisational methods, hence the positive impact on productivity. It has been argued that small businesses have an advantage in highly innovative industries and that studies have shown that this advantage moved from large to smaller businesses (Booyens, 2011, 68).

Leadership and innovation go hand in hand and SMEs that have customised their production systems to be more flexible, have minimised their cost and manage to make their prices competitive stand a better chance increasing their market share (Muenjohn & McMurray, 2016, 481). Innovation can be easily defined as a way of finding a new kind of solution to important problems. Disruptive innovation creates a new market by adopting different ways of doing things/business and this has a way of overtaking an existing market. It allows people to have more access to products or services that were previously not available to majority of consumers (Ivanus & Repanovici, 2016, 157 & 158).

Provision of a pleasant working environment is important. There is a tendency of having much more creative and happier employees where the work environment is one where the owner ensures that a playful and spiritual aura is created. Furthermore, where employees feel that they are important to the existence and progress of the business and feel valued (Turner & Endres, 2017, 37). Talent management practices have an impact on the overall performance of the organisation. Employees that are made to feel well recognised, appreciated,

adequately rewarded and work in a respectful work culture are more likely to achieve job satisfaction and perform well thus impacting on the overall performance of the business and are they are more likely to be retained (Kaliannan, Abraham, & Ponnusamy, 2016, 400).

2.3.4 Challenges Faced by SMEs

The existence of programmes that support small businesses is sometimes not well coordinated. It tends to focus on educating the owner of the small business without necessarily improving the business environment within which these small businesses are expected to operate and prosper (Zeuli & O'Shea, 2017, 17).

In South Africa and other countries as well, there are indeed challenges that face the SMEs more than larger businesses. These SMEs are unable to deal with some of the challenges or constraints by themselves and other parties such as the government need to assist through developing and implementing the necessary relief. Some of these challenges are (among other); legal and regulatory environment within which the SMEs operate, the burden of paying taxes, access to markets and the related barriers to entry, access to funding, affordability of business premises, having the highly skilled resources and appropriately experienced management, access to relevant technology as well as business infrastructure of good quality (DTI, 1995). The Australian government gave relief to start-up businesses through them not paying taxes, thus lifting the tax burden that also poses as a challenge in small businesses and Canada also exempts SMMEs from paying taxes (Khoase & Govender, 2013, 597 & 598).

There are also other challenges that face small businesses which have led to small business failure. These challenges arise due to the lack of experience of the owner of the business in addressing the threats posed by competition, economic factors impacting on the business, shifts in business priorities, the varying kinds of expectations, a lack of appropriate leadership skills and a lack of capital (Turner & Endres, 2017, p.37). A large number of SMEs have the disadvantage of having small management teams and in most instances without any specialists. This is evidenced by the fact that South Africa has a relatively weak SME sector which does not have

adequate production, management and financial skills. It is for this reason that there is the importance of and the need for small business owners to have a combination of the technical and conceptual skills as they play the supervisor and manager roles. A majority of South African small business owners obtain the skills that are required to operate a business through self-teaching mechanisms or through conducting the business (Visser, Chodokufa, Amadi-Echendu, & Phillips , 2016, 95 & 98).

SMEs have characteristics that make it easier for them to adopt and practice corporate social responsibility as they have an informal communication protocol and more flexible organisational structures with minimal bureaucracies in addressing social and environments issues. SMEs however are faced with a challenge such as innovation and limited resources such as funding thus preventing them to playing a more responsible social and environmentally conscious role (Benito-Hernandez, Platero-Jaime, & Esteban-Sanchez, 2016, 419).

Small businesses that are women owned have had more challenges that are more specific to them than those faced by male business owners. The financial charter was silent on issues of gender equality regarding accessibility of funding, enterprise development and finance. To name a few, some of these challenges were the attitudes of banks towards women owned enterprises, former BBE code targets that were not addressing empowerment needs of women owned businesses, overall finance and business confidence in women compared to man (Rogerson, 2008, 65).

Lack of business continuity management tends to be a challenge most small businesses face. It is defined as a holistic management process that identifies potential threats and their resulting impact on the business, which enables the creation of a framework that would ensure that there are adequate and appropriate safeguards to mitigate such impact or risk on the business, its stakeholders, reputation etc. (Ivanus & Repanovici, 2016, 159).

SMEs are most likely affected by ineffective management of their human capital and this poses a great risk on their growth and sustainability as they lack a good understanding of the value of their human capital and talent management. Low salaries or sometimes even difficulties in paying salaries and other work-related

challenges are some of the reasons small business find it difficult to attract and/or retain talent (Kaliannan, Abraham, & Ponnusamy, 2016, 393 & 397).

2.4 The Construction Industry

The South African Government has identified the construction industry as one of the key sectors that would play a key role in the government's economic growth, poverty eradication, unemployment reduction and transformation agenda (NDP, 2012). The government believes that in order to achieve its economic transformation and development goals, the emerging construction SMEs would play a significant role. Through the government's acknowledgment and recognition of its lack of capacity to support these SME, other private sector initiatives are put in place in order to promote SMEs (Raga, Bayat, & Ferreira, 2012, 91). The Construction Industry Development Board is therefore mandated in ensuring that the industry is regulated in a manner that supports the economic growth and transformation agenda. There are various other key players working in partnership with the government in implementing programmes that enable the government to achieve its objectives (CIDB, 2017).

2.4.1 Defining the Construction Industry

The construction industry is very dynamic by its very own nature as it is a very competitive environment which is driven mainly by projects that have a predetermined estimated completion (Sebone & Barry, 2009, 186). There is a major difference between construction companies and traditional companies as construction companies deal with projects whereby each one has its own unique challenges and characteristics and their main focus is to work towards and end goal of completing a project. Traditional companies, on the other hand, are more focused on achieving more efficiency on tasks or processes that are more routine (Sebone & Barry, 2009, 187). The following are factors on the that play a significant role in the construction industry and/or project environment.

Table 2: Factors playing a significant role in the construction industry and/or project environment

<p>Money (<i>Factors related to the project</i>)</p> <ul style="list-style-type: none"> ➤ Access to finance ➤ Working capital management (cash flow) ➤ Payment terms ➤ Construction guarantees 	<p>Management (<i>Factors related to the organisation</i>)</p> <ul style="list-style-type: none"> ➤ Availability of manpower ➤ Skills and training ➤ Skills and training ➤ Labour relations ➤ Commitment
<p>Man (<i>Factors related to the project team</i>)</p> <ul style="list-style-type: none"> ➤ Top management support ➤ Project management ➤ Business and general management ➤ Contractor management 	<p>Man (<i>Factors related to the environment</i>)</p> <ul style="list-style-type: none"> ➤ Construction site relationships ➤ Client organisation ➤ Main contractor behaviour ➤ Legislative environment

Source: South African Journal of Industrial Engineering, May 2009, Vol 20(1)

2.4.2 The South African Construction Industry

The aim of the National Development Plan is to ensure that there is a reduction in poverty, inequality and unemployment in South Africa by the year 2030. The construction industry is therefore one of the crucial industries that would help achieve the desired economic growth which should be inclusive. This will be achieved through infrastructure development which will in turn create jobs thus reducing the unemployment rate (NDP, 2012). Since the beginning of democracy in South Africa, the construction industry has undergone transformation and the industry has also achieved growth. This was due to the lifting of sanctions imposed by the international community against the apartheid government and the termination of apartheid policies that limited the growth of the sector. The democratic government established policies, programmes and structures that would support the transformation of the industry, hence the development of the Construction Industry Development Board (CIDB) was established. The post-democracy the government became the construction industry's major client through its provision of social and economic infrastructure (Cottle, 2014, 139), thus the industry became a significant contributor to job creation and growth through the government's infrastructure development plans (pwc, 2016, 3).

According to CIDB (CIDB, 2017) construction plays a crucial role in the socio-economic development of South Africa, through the provision of infrastructure which is the pillar of economic activities and construction therefore provides employment opportunities on a large scale. The CIDB's mandate is to ensure that the industry is supported so that its contribution to the economy of the country is enhanced. The CIDB is must promote following (among other):

- uniformity in construction procurement;
- efficient and effective infrastructure delivery;
- construction industry performance improvement;
- development of the emerging sector, including industry transformation; and
- skills development.

In order to facilitate accelerated delivery in the public sector infrastructure, the CIDB developed the Infrastructure Delivery Management System which provides a standardised approach to the delivery of infrastructure. The IDMS, through standardisation promotes more transparency and reduces opportunities for fraud and corruption (CIDB, 2014).

The transformation of the construction industry has been a topic that has taken centre stage for quite some time. In 2012 there was a Construction Industry Transformation Summit initiated by the then Minister of Public Works Department of South Africa, Mr Thulas Nxesi. It was determined in this Summit that the rate and depth of transformation is slower that what government and society at large desired and expected. The Summit reached a conclusion that the following (among other) are the factor impacting on transformation:

- The skills availability impacts on the ability the industry to perform;
- The availability of highly and relevantly skilled artisans in the industry;
- Fraud, corruption and collusion have a negative effect on transformation as it creates further barriers for new comers into the industry;

- The government needs to find a balance between service delivery and empowerment by ensuring that their infrastructure programmes are rolled out in a manner that supports transformation;
- The effectiveness of the Construction Charter should be evaluated as it is important in furthering the industry transformation (CIDB, 2017, 2-3).

In an effort to achieve more transformation in the construction industry, seven JSE listed construction companies entered into an agreement with the South African government to participate in a programme that will have initiatives that would seek to transform the industry. These companies had a combined revenue of R45 billion in 2016 and are the major players in the economy. The agreement has three different elements which are:

- Financial contribution which will be used to develop and improve transformation of the industry;
- Commitments that result in transformation of the industry through enterprise development programmes, increase in black ownership, mentoring programmes for skills transfer;
- A commitment by CEO's to act with integrity, transparency and compete fairly without any corrupt collusive means being applied (SAFCEC, 2016).

The commitment made by the government is that there will be more investment in infrastructure and an example of this is the eradication of mud and inappropriate structures in schools and replacing these with more modern structures that would ensure that the dignity of learners is restored. This is done through a special programme called Accelerated School Infrastructure Delivery Initiative of the Department of Basic Education (SONA, 2017) & (DBE, 2017). The government budget for infrastructure is R900 billion and this budget is to be used to achieve economic transformation (SONA, 2017). In spite of this, the South African construction industry faces some challenges that stagnate growth. These are factors such as the weakening value of the Rand, the downgrading of the country's credit rating, inflation increases through increased energy prices and cost of imports, the labour strikes across different industries, disputes relating to wage rates and settlement thereof (Blueprint Group, 2017).

According to Price Waterhouse Coopers (PWC, 2016) there was a decrease in the market capitalisation where seven out of the nine JSE-listed major construction companies experienced that decline. However, public sector expenditure was better indicator of the construction industry's performance as there was an increase in capital expenditure (PWC, 2016, 5-6).

Corruption in the South African construction industry is a reality that threatens the transformation and growth prospects of the economy. In the public sector, officials involve themselves in corrupt activities by manipulating tender processes in order to receive financial benefit in the form of bribes. Lack of adequate skills, fear of victimization, lack of consequences for such misconduct and general poor corporate governance are enablers to corrupt practices (Bowen, Edwards, & Cattell, 2012, 885). The private sector is also not immune to corrupt activities, as the Competition Commission found the major construction companies to have indulged in improper conduct through applying anti-competitive means by colluding among themselves on tendering for projects concluded in the 2006 – 2011 period. The sanction given to them amounted to R1.46 billion collectively (PWC, 2016, 17), (SAFCEC, 2016) & (Engineering News, 2013). Furthermore, some of these companies entered into an agreement with the government to assist the government in transforming the industry fully participate in programmes that would achieve that transformation (SAFCEC, 2016).

2.5.1 The National Home Builders Registration Council

The Mandate of the National Home Builders Registration Council (NHBRC) is the home building industry which was established in 1998 through the Housing Consumers Protection Measures Act No.95 of 1998 (Housing Consumers Protection Measures Act, 1998). The aim is to protect home owners/consumers by ensuring that the home builders have the necessary competencies and uphold the home building industry standards. Regardless of the value of the home, consumers are protected against unsatisfactory conduct such as poor workmanship, use of poor quality building materials and poor standard houses. Any contractor who undertakes home building projects and is not registered with the NHBRC is committing an

offense where upon conviction, it can carry a one-year prison sentence or a monetary fine of up to R25,000 per charge (NHBRC, 2017).

As much as the NHBRC's main reason for existence is the protection of the home owner, there are also benefits for the building contractors when they are registered with the NHBRC. Some of these benefits are receiving recognition by financial institutions as an accredited home building contractor and access to NHBRC's training programmes and other related resources.

Contractors that want to be registered on the NHBRC have to complete a two-stage application process. They first have to complete the applications forms with the required company specific documents and payment of an application fee of R745.61. The second step of the application process is for the technical team member, from the contractor, to write a technical exam where his/her competence will be assessed. When the registration process is complete, an annual membership fee of R526.32 must be paid and the technical team member will then have to attend an induction workshop conducted by the NHBRC (NHBRC, 2017).

The NHBRC and various strategic partners have embarked on various programmes aimed at supporting home building contractors. These are programmes such as the Artisan Training Programme undertaken in partnership with the Eastern Cape Department of Human Settlements, the 2016 Women Empowerment programme in partnership with the Gordon Institute of Business Science (GIBS) (NHBRC, 2017).

2.5.2 The Construction Industry Development Board

The Construction Industry Development Board (CIDB) is a public entity that derives its reason for its establishment from the CIDB Act No.30 of 2000. It is an entity whose shareholder is the Department of Public Works. Its mandate is to lead the construction industry stakeholders in construction development. The construction industry is a significant part of the economy of South Africa and the CIDB therefore has a role of facilitating and promoting the contribution of the industry to the economy and society. The CIDB regulates and monitors construction projects in excess of R200,000 for the public sector and those in excess of R10 million for the

state-owned entities and the private sector and these projects must be registered on the CIDB's Register of Contractors. The objectives of the Register of Contractors are to achieve the following (CIDB, 2017):

- To promote regulatory standards and best practice;
- To support the management of risk when contractors have to tender for work;
- To facilitate transformation and growth of contractors while also making the industry more accessible by the previously disadvantaged;
- To provide the nature, size and level of development of contractors in order to enable monitoring of transformation progress (CIDB, 2017).

Table 3: CIDB Register of Contractors according to class of work

Grade	Class of Work						Total
	CE	EB	EP	GB	ME	SW	
1	29560	1910	6823	62202	6688	25082	132265
2	1729	175	203	2409	305	767	5588
3	1007	69	130	669	138	251	2264
4	1036	131	262	935	215	230	2809
5	689	104	190	575	142	168	1868
6	820	69	213	694	153	129	2078
7	484	49	108	385	73	77	1176
8	175	9	39	146	39	30	438
9	83	3	25	46	33	14	204
Total	35583	2519	7993	68061	7786	26748	148690

Source: CIDB Register of Contractors, June 2016

2.5.3 The Promotion of Trades Through Vocational Education

Technical and Vocational Education and Training (TVET) is gaining more and more attention and becoming more popular with different governments across the globe as an instrument that can be used to achieve developmental objectives. TVET fulfills a significant role in the implementation and promotion of sustainable development as

TVET colleges generally tend to be the biggest supplier of skilled and semi-skilled workers (Paryono, 2017, 1). Human development is essential for any nation in ensuring that future economic growth is achieved and sustained as it is that level of human development that sets a country's growth path. TVET plays a crucial role in producing a skilled workforce that would be needed for the rapid changes in technology. TVET equips people with more than just technical and vocational training, its allows them to be productive in any field of their choice and to also enable them to meaningfully participate in a country's economy whether via employment of entrepreneurship ventures (Alam, 2015, 36 & 37).

The advantage of TVET is that it improves economic competitiveness as it is more of a change from education-driven to a more functional model of relevant skills development. It is argued that technical vocational training is more inclusive in that it keeps more learners in school as even those who would have long dropped out of an academic curriculum tend to stay within TVET. Others however argue against TVET as they believe that it contributes further to social division into classes. This is due mainly to the negative stigma associated with TVET that its of "lower achiever" status in society. In many countries, the focus has largely been on the social role of TVET rather than its economic role – that its creates economic competitiveness which supports economic growth of a country (Pavlova & Mclean, 2013, 43 & 44).

The South African government has embarked on an effort to promote TVET colleges. The Department of Higher Education and Training (DHET) set up a branch in the department to specifically deal with TVET. Its main purpose is to ensure that there planning, development, monitoring maintenance and evaluation of national policy, programmes assessment programmes and practices for TVET and TVET colleges (DHET, 2017). On an annual basis, the Department allocates bursary funds to TVET colleges so that these can be used to assist deserving students particularly those from poor backgrounds by applying the means test and/or on academic merit (DHET, 2017).

There are a number of different training programme offered across different industries and these are offered in the different colleges. These vary from NQF level 2 to 5. There are a number of different programmes offered that fall within the

construction industry and some are on the extract part of the table per the DHET National Certificate Qualification Subject Matrix (DHET, 2017).

Table 4: National Certificate Qualification Subject Matrix

	Level 2 SAQA id no 50440	Level 3 SAQA id no 50442	Level 4 SAQA id no 50441
<p>Note:</p> <p>The three fundamental subjects are compulsory.</p> <p>The three vocational subjects are compulsory.</p> <p>A fourth vocational subject must be taken but can also be a vocational subject from another program.</p>	<p>English/Afrikaans/IsiXhosa (First additional language)</p> <p>-Life orientation</p> <p>-Mathematics</p> <p>Or Maths Literacy</p>	<p>English/Afrikaans/IsiXhosa (First additional language)</p> <p>-Life orientation</p> <p>-Mathematics</p> <p>Or Maths Literacy</p>	<p>English/Afrikaans/IsiXhosa (First additional language)</p> <p>-Life orientation</p> <p>-Mathematics</p> <p>Or Maths Literacy</p>
Civil Engineering and Building Construction	<p>Construction Planning</p> <p>Materials</p> <p>Plant and Equipment</p> <p>Carpentry and Roof Work (O) or</p> <p>Concrete Structures (O) or</p> <p>Masonry (O) or</p> <p>Physical Science (O) or</p> <p>Plumbing (O) or</p> <p>Roads (O)</p>	<p>Construction Planning</p> <p>Materials</p> <p>Plant and Equipment</p> <p>Carpentry and Roof Work (O) or</p> <p>Concrete Structures (O) or</p> <p>Masonry (O) or</p> <p>Physical Science (O) or</p> <p>Plumbing (O) or</p> <p>Roads (O)</p>	<p>Construction Planning</p> <p>Construction Supervision</p> <p>Materials</p> <p>Carpentry and Roof Work (O) or</p> <p>Concrete Structures (O) or</p> <p>Masonry (O) or</p> <p>Physical Science (O) or</p> <p>Plumbing (O) or</p> <p>Roads (O)</p>
Drawing Office Practice	<p>Architectural Graphics and Technology</p> <p>Civil and Structural Steel Work Detailing</p> <p>Engineering Graphics and Technology</p> <p>Drawing Office Procedures and Techniques (O)</p>	<p>Architectural Graphics and Technology</p> <p>Civil and Structural Steel Work Detailing</p> <p>Engineering Graphics and Technology</p> <p>Drawing Office Procedures and Techniques (O)</p>	<p>Architectural Graphics and Technology</p> <p>Civil and Structural Steel Work Detailing</p> <p>Mechanical Draughting and Technology</p> <p>Drawing Office Procedures and Techniques (O)</p>

Source: Dept. Of Higher Education and Training, December 2017

The Eastern Cape Department of Human Settlements, The NHBRC and the National Youth Fund partnered in a programme of ensuring that 185 unemployed youth is trained in home construction and occupational health and safety compliance. The initiative is undertaken to support the National Development Plan of 2030 on skills development and poverty eradication (EC Human Settlements Dept, 2016).

2.5.4 The Development of various Funding Institutions

One of the major challenges that contractors face is the availability of cash to finance existing as well as new projects. Contractors are left with no option but to seek funding by means of getting loans so that they can be able to fund their operations (Elazoun & Abido, 2013, 961). There are various funding institutions that are government owned that assist SMEs as well as businesses owned and controlled by historically disadvantaged target groups.

The National Empowerment Fund (NEF) is another example of institutions that offer funding to Broad-Based Black Economic Empowerment (B-BBEE) target businesses. The establishment of the NEF was mandated by the National Empowerment Fund Act No. 105 of 1998 (NEF Act, 1998) & (NEF, 2017). The role of the NEF is to promote and facilitate B-BBEE through offering financial and non-financial support to businesses owned and controlled by the B-BBEE target groups. They offer five (5) different products designed to suit different businesses and the reasons they need the funding for (NEF, 2017).

The Small Enterprise Finance Agency (SEFA) is a subsidiary of the Industrial Development Corporation (IDC) and it was established in line with the prescripts of the Industrial Development Corporation Act No.22 of 1940. SEFA's role is to offer financial products and services to SMMEs and Cooperatives either to them as start-up businesses or for expansion purposes for existing businesses. Furthermore, SEFA also offers non-financial business support to SMMEs Cooperatives. Their products for SMME and Cooperatives range from R50,000 to R5 million (SEFA, 2017).

The Development Bank of Southern Africa (DBSA) offers funding for large scale infrastructure projects. Their focus is on given support to the country's infrastructure development agenda through offering financial and non-financial support to entities undertaking large infrastructure projects and/or programmes (DBSA, 2017).

In the Eastern Cape Province, the Eastern Cape Development Corporation (ECDC) offers funding to SMMEs which was established to plan, finance, promote and implement development strategies in the development of the Eastern Cape Province. The ECDC offers short-term and long-term finance to qualifying businesses. Some of the criteria they consider is whether that application for financial assistance will achieve job creation and/or retention of jobs, economic empowerment, rural or township development or increased income from exports (ECDC, 2017).

2.5.5 Contractor Development Programmes

The Department of Public Works has been instrumental in the development of emerging contractors within the public sector part of the construction industry, through an Emerging Contractor Development Programme that it implemented in the during the infancy stages of economic transformation initiatives. The Programme focused on contractors who had the necessary skills or potential but lacked the expertise or capacity that would enabled them successfully obtain government work through the submission of quotations or tenders (Raga, Bayat, & Ferreira, 2012, 87-88).

Contractor Development programmes (CDPs) are part of government policy in order to ensure that transformation or empowerment opportunities are given to those companies that were previously prejudiced and were not role players in the construction industry. The CIDB is the main driver of the CDP. The role of the CIDB is to ensure that there are industry standards and guidelines that these CDPs follow, developing partnerships with the relevant key stakeholders and to assist the government in implementing interventions that are necessary in the CDPs to ensure that the transformation targets are met (CIDB, 2017).

The need to have such programmes and to ensure that they are effective so that emerging contractors can build the necessary skills and capacity is driven by the fact that about 80% of government's infrastructure spending is only accessed by companies whose CIDB grades are seven (7) and higher. This means that it is only about 11% of contractors registered on the CIDB database or Register of Contractors share on that 80% infrastructure expenditure. It is for such reasons that there is an urgent need to empower more emerging companies so that more can access the 80% of infrastructure expenditure (CIDB, 2017).

A National Contractor Development Programme was developed and comprises partnerships that were developed by the CIDB, National and Provincial Department of Public Works and other relevant willing stakeholders. These stakeholders commit their resources to assist these previously disadvantaged persons or contractors and they make sure that there is an alignment between the targets of the NCDP and their own targets that they have set for their own CDPs. The NCDP aims at ensuring that government infrastructure procurement is used to support these CDPs and that there needs to be predetermined outcomes for contractors that participate in these CDPs so that when they are competent to exit the programmes, they are measured against those predetermined outcomes. The NCDP has thus developed a framework that will ensure that CDPs are set up in a manner that achieves government targets (CIDB, 2017).

CDPs are made up of three components, namely (CIDB, 2017):

- *Contractor Learnerships* – these are aimed at contractors whose grades are one (1) to three (3) and these include start-up companies. These learnerships mainly incorporate mentorships. Learner contractors are taught about the basics of business and construction contracting.

- *Enterprise Development* – this is aimed at contractors with CIDB grades two (2) to six (6) who show potential for growth and development. Structured developmental support is provided through the CDP or by teaming up these contractors with well-established main contractors to support them.

- *Performance Improvement* – this is aimed at contractors with CIDB grades four (4) to seven (7) who show potential for growth and development. These enterprises are already established and just need to introduce best practice systems in order to improve their performance. This is implemented through structured procurement-driven relationships that clearly stipulate and define the developmental support that must be given to these CDP contractors.

According to CIDB (CIDB, 2011), in order to measure whether CDPs are effective or not, there are a number of key success factors that are used to measure that effectiveness. These key success factors are divided into demand side measures and supply side measures.

The Demand Side Measures are as follows:

- Work opportunities to CDP learners or contractors continuously exist and they must be profitable;
- There must be not delays in payment of CDP contractors upon satisfactory completion of work assigned to them;
- There must be procurement strategies that ensure that learners and contractors have continuous work while in the programme;
- All stakeholders that have these active CDPs must ensure they regularly report to the CIDB on the progress of the implementation of their CDPs (CIDB, 2011).

The Supply Side Measures are as follows:

- There must be adequate and relevant contract management and oversight given by the departments that are running the CDPs;
- There CDP contractors must have the appropriate business and technical capability and capacity;
- The contractors must have access to funding, appropriately skilled workers, information and technology, cost effective plant and equipment of good quality (CIDB, 2011).

There are a number of CDPs currently taking place. An example of this would be the CDP currently being implemented by the National Department of Public Works. The Department has a specific programme under its CDP which is called the Contractor Incubator Programme. This programme is targeted at historically disadvantaged individuals whose enterprises are owned and controlled by them. This incubator programme focuses on projects whose values are between R1.5 million to R30 million. Preference is given to enterprises owned and controlled by black people, women and disabled persons. This programme targets contractors with CIDB grades three (3) to seven (7). There is an annual intake of new enterprises that would form part of this programme and those interested are assessed for eligibility after they have responded to an advert that the Department publishes in the local and national media (NDPW, 2017).

The Western Cape Department of Public Works also has a CDP which falls under its Extended Public Works Programme. The objective of this programme is to develop skills and promote sustainability of businesses owned and controlled by the target groups who are women and youth, with CIDB grading status of one (1) to five (5). This CDP has two different training programmes i.e. the Foundation Phase Training (for grades 1 - 2) and Advanced Training and Mentoring (for grades 3-5). Some of the stakeholders that are involved in this programme are South African Revenues Services (SARS), Provincial Department of Economic Development and Tourism, National Department of Public Works, the CIDB, Municipalities in the Province and the Building Bargaining Council (Western Cape Government, 2017).

2.5.6 Legislative and Regulatory initiatives

Legislation and regulations were developed to support transformation of the economy through empowering historically disadvantaged businesses and small businesses. The National Small Business Act (No. 102 of 1996) provided for the establishment of Ntsika Enterprise Promotion Agency which was to provide guidelines and support to small businesses (National Small Business Act no.102, 1996). When the Act was amended in 2003, the Small Enterprise Development Agency (SEDA) was established and replaced Ntsika Enterprise Promotion Agency. Some of the roles of SEDA include facilitation of the promotion of entrepreneurship,

create enabling environment for small businesses and facilitation access to non-financial information and resources by small businesses (National Small Business Amendment Act, No. 26 of 2003).

Legislation that would ensure that financial support is provided was also developed. The National Empowerment Fund Act provided for the establishment of the NEF to offer funding to Broad-Based Black Economic Empowerment (B-BBEE) target businesses (NEF Act, 1998). The Industrial Development Corporation Act No.22 of 1940 allowed for SEFA to be established as a subsidiary of the IDC. SEFA's role is to offer financial products and services to SMEs and Cooperatives either to them as start-up businesses or for expansion purposes for existing businesses (SEFA, 2017).

The CIDB was established through CIDB Act No.30 of 2000 and its mandate is to ensure that the industry is supported so that its contribution to the economy of the country is enhanced. Furthermore, its role is to develop standards and offer support and guidelines to the industry. CIDB also supports the government in ensuring that its transformation targets are achieved (CIDB, 2017).

The Preferential Procurement Policy Framework Act no.5 of 2000 and the 2017 Regulations Preferential Procurement Policy Framework Amendment Act ensure that procurement is carried in a manner that is fair, transparent, economical, equitable just as the South African Constitution section 217 provides. It also takes into account empowerment priorities of government by ensuring that B-BBEE points when awarding of state projects or contracts takes place (PPPFA, 2000) and (PPPFA Regulation, 2017). The new regulations provide for a mandatory subcontracting of a minimum of 30% of the contract value to the designated or targeted groups in order to achieve government's empowerment targets (PPPFA Regulation, 2017).

2.6 Strategy Formulation

Strategy can be defined as a set of actions that needed to be taken by management in order to increase and sustain the organisation's performance (Hill, Shilling, & Jones, 2017, 4). In so doing, environmental scanning is important for any organisation and should thus be performed. It is achieved through systematically

gathering relevant information so that important environmental trends can be monitored (Stewart & Saren, 2014, 3). It is expected that changes are bound to constantly occur in the business environment. If an organisation fails to identify and appropriately respond to such changes, it runs a great risk of encountering challenges and/or even possible failure of the business. Regular monitoring of the business and the development of an action plan needs to thus take place (Cadle, Paul, & Turner, 2010, 2).

It is important that both the external business environment and the internal capacity of the organisation be assessed (Cadle, Paul, & Turner, 2010, 2) & (Yüksel, 2012, 52). PESTEL analysis and Porter's Five Forces analysis are techniques used to assess the business environment within which the organisation operates. When this analysis is performed and it enables the organisation to develop a strategy that took factors that are out of the organisation's control into account in line with the organisation's capabilities and resource capacity (Cadle, Paul, & Turner, 2010, 2).

The formal strategic planning process steps are as follows:

- Selection of corporate mission, vision and major goals;
- Analysis of the external competitive environment so that threats and opportunities can be identified;
- Analysis of the organisation's internal operating environment to enable the identification of its strengths and weaknesses;
- Selection of strategies that enhance the organisation's strengths and minimise its weaknesses in order to exploit opportunities and safeguard it against that arise;
- Implementation of the strategies developed (Hill, Shilling, & Jones, 2017, 13).

There are different types or levels of strategies particularly in very large businesses. There is a corporate strategy, a business strategy, functional area strategies, and operating strategies. Corporate and business strategies are sometimes combined into one in some organisations. In small businesses all the different strategies tend to be combined into one business strategy as the number of people handling strategy formulation and implementation is small (Hough, Thompson, Strickland, & Gamble, 2011, 43-44).

2.6.1 Environmental Analysis

Environmental analysis is a tool that is used to enable an organisation to effectively do strategic planning, development and implementation, thus helping the organisation align its strategies with the environment. This process allows an organisation to identify external and internal factors that could have an effect on the performance of the organisation. It is important that the organisation is aware of all the environmental factors, even those beyond its control but to be able to know how to develop action plans accordingly (Pestel Analysis, 2015). This process allows the organisation to identify its threats and its opportunities.

2.6.2 PESTEL Analysis

This analysis is concerned about identifying and understanding factors in the macro-environment, that have an influence on the organisation's position, direction and strategy. The PESTEL analysis framework suggest that these factors may arise from Political, Economic, Societal values and lifestyles, Technology, Environment and Legislation and regulations. These factors are beyond the control of the organisation and may occur with or without any warning and may occur slowly or rapidly (Hough, Thompson, Strickland, & Gamble, 2011, 57-58).

2.6.3 Porter's Five Forces Analysis

According to the Porter's Five Forces Framework, there are certain factors that determine the nature of competition. These factors are known as the forces of competition as they expose the organisation to certain threats that result from competition or competitors.

The Porter's Five Forces are as follows:

- *Threat of new entrants* – new entrants in a market bring in new capacity and want to get a share of the market and there is also a counter force by those who want to protect their own share of the market. The degree to which an entry of new players is a threat depends on the barriers to entry that exist in the industry

or market (Hough, Thompson, Strickland, & Gamble, 2011, 67-69) & (Stewart & Saren, 2014, 3). These barriers are created so that new entrants find it difficult to penetrate the industry or the market. Such barriers include having; a cost and resource advantage, access to distribution channels, economies of scale, high capital requirements, brand loyalty of customers restrictive government policy (Hough, Thompson, Strickland, & Gamble, 2011, 67-69);

- *Degree of Rivalry* – this is the ability of competitors (or even government through restrictive legislation or regulation) to manipulate or influence the market or industry to their own advantage. This is a battle where competitors fight to keep or increase their market share or control over the industry. This rivalry intensifies when there is a price competition, less or no costs for the buyer to switch to other brands or substitutes or when the number of competitors increase (Hough, Thompson, Strickland, & Gamble, 2011, 62-65) & (Stewart & Saren, 2014, 65);
- *Bargaining power of suppliers* – this is when suppliers have the power to greatly influence an industry to their own advantage. This occurs when there are few or very limited number of suppliers of that particular service or products, high costs for the buyer to switch to other suppliers or substitutes, high economies of scale through high volumes of production or having sole or significant control over certain innovation and technology e.g. patents (Hough, Thompson, Strickland, & Gamble, 2011, 74-76);
- *Bargaining power of customers* – this is when customers have the power to greatly influence an industry to their own advantage. This occurs when the product offered is a commodity and buyers can therefore shop around for better prices, relatively low or no costs for the buyer to switch to other suppliers or to substitutes, if the number of customers or consumers is very small vis-à-vis the number of suppliers (Hough, Thompson, Strickland, & Gamble, 2011, 78-79);
- *Threat of substitute products or services* – this is the pressure that comes from companies in the same or similar industry but who can offer an alternative to the product of the other to satisfy the same need of the customer. The significance of this threat is determined by availability and attractiveness of prices of substitutes,

whether switching costs are low or high and when customers compare the substitute and find it to be of better quality and performance (Hough, Thompson, Strickland, & Gamble, 2011, 72-73) & (Stewart & Saren, 2014, 66).

2.6.4 SWOT Analysis

A SWOT analysis is a tool that is used to assess the organisation's resource capabilities and shortcomings, its industry or market opportunities and external threats to its success. This analysis gives an overview of the health status of an organisation. The benefit of this analysis is that it serves as a basis of strategy formulation.

In identifying the *resource strength and capabilities* of an organisation, the following are considered:

- Skills, expertise or important capability;
- Valuable intellectual and human capital;
- Valuable organisational and intangible assets;
- A competitive vantage point of the organisation;
- Valuable strategic alliances, partnerships and collaborations.

In identifying the *resource weaknesses* of an organisation, the lack of or insufficiency of the above factors should be assessed. External threats arise due to (among other) the introduction of cheaper and better technologies, new legislation and regulations that negatively affect the organisation more than its competitors, introduction of new or improved products by competitors and highly unstable interest rates (Hough, Thompson, Strickland, & Gamble, 2011, 113-121).

2.7 Chapter Summary

The government long-term agenda is clear in that poverty, unemployment and inequality has no place in the democratic South Africa and the National Development Plan 2030 seeks to address that. It has taken the democratic government a lot of work and effort in ensuring that an enabling environment is created to make way for

economic growth, economic development and transformation. The journey taken since the attainment of democracy in 1994 has been outlined in this chapter.

Legislation such as the National Small Business Act, National Empowerment Fund Act and similar legislation was developed in order to strengthen the recognition of SMEs as an important vehicle in job creation, economic growth and development and transformation. Furthermore, the construction industry has been identified as one of the key industries that needed transformation and its was also a key industry for job creation and economic growth. The CIDB Act than enabled the establishment of the CIDB and its mandate is to regulate and support development and transformation the construction industry. The CIDB developed strategies and strategic partnerships with organisations that support its mandate and the targets it needs to achieve. An example of this is the Contractor Development Programme that CIDB partners with national and provincial Public Works and other organisations in implementing Contractor Development Programmes.

There are many challenges that are faced by SMEs and the lack of financial resources is one of them. The different government funding institutions created to support SMEs in addressing that challenge have been explored. SEFA and NEF are just some of the examples of the state owned funding institutions available to SMEs. Although a lot of work has been undertaken to improve the transformation status of the industry and to achieve the required economic growth, the journey is still continuing as more still needs to be done.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In Chapter 2 a literature review of the construction industry and the role of the South African Government and its plans in ensuring that the industry meets its objectives laid out in the government's developmental and transformation agenda. The relevant industry role players were identified and their roles explained in the literature review.

The purpose of this chapter is to explain the research methodology applied in this study. The different research paradigms are explained and both the qualitative and quantitative paradigms are explained and compared. The paradigm applicable to this study is identified and explained. The concept of sampling is outlined and the reasons that sampling is not applicable in this study is explained.

This chapter also covers the explanation of the multiple-case study method undertaken and the case study protocol observed. The different data collection methods are discussed and the reasons for the method used in this study are indicated. A brief outline of the subjects selected and the criteria used to selected them is discussed. The chapter also included data collection, analysis and interpretation methods applicable.

3.2 Research Paradigms

Research is simply defined as the inquiry or investigating in a systematic and methodological manner in order to gain more knowledge or understanding about a particular subject of interest. The means that this knowledge gathering undertaken is aimed at answering the research question (Collis & Hussey, 2009, 3). Research is therefore a search for knowledge on a specific topic, through making use of scientific and systematic means (Kothari, 2004, 1). This systematic investigation involves diligent planning and interventions for discovery and interpretation of the newly found information (Garg, 2016, 640).

A research paradigm is a framework that gives guidance on how research should be conducted (Collis & Hussey, 2009, 55). There are two main paradigms, positivism which is associated with a quantitative analysis method and negativism which is associated with a qualitative analysis method (Collis & Hussey, 2009, 56) & (Kothari, 2004, 5). However it is argued that the terms qualitative and quantitative are used to describe the data collected/to be collected rather than them describing the actual paradigm. This argument is in line with the fact that even in the positivistic research method, data can be either quantitative or qualitative (Collis & Hussey, 2009, 63).

3.2.1 Quantitative paradigm

A quantitative approach, is where there is a likelihood that the objective for the collection of data is to ensure that key variables have been identified and statistical methods are applied in order to analyse the data. The data collected is quantitative meaning that it is in a numerical form which enables the which enables the application of statistical methods in its analysis and interpretation (Collis & Hussey, 2009, 63). In a quantitative study, the researcher begins with a hypothesis or theory which is then tested to determine if it can be accepted to be true or cannot be accepted (Newman & Ridenour, 1998, 3). This approach also allows for sub-categorisation into experimental, simulation and/or simulation approaches (Kothari, 2004, 5).

Quantitative approach seeks to give explanations on relationships and or causal-relationships between variables. Generally, there is a need for large randomly selected samples that must be representative of the population from which the sample is selected as this will enable the researcher to generalise his/her findings. In its nature, the quantitative approach is deductive and therefore relies on predetermined standard responses. This approach falls short of being able to give insight into the respondents' individual experiences as it doesn't not allow their respondents to thoughts, feelings and experiences in their own way and words (Yilmaz, 2013, 312-313).

3.2.2 Qualitative paradigm

Qualitative research is an approach that enables the researcher to examine the respondents' thoughts, feelings and experiences in detail through using different data collection methods such as in-depth interviews, content analysis, focus groups, observation etc. (Hennik, Hutter, & Bailey, 2011, 9). It is not based on a single methodology and also does not belong to a single discipline (Yilmaz, 2013, 312). The objective of this approach is to observe and interpret the reality so that a theory that would explain what was experienced can be developed (Newman & Ridenour, 1998, 3).

Qualitative research is subjective in nature and involves an analysis of behaviour, opinions and attitudes (Kothari, 2004, 5), furthermore, there is a view that reality is constructed by individuals through an interaction with their worlds (Snyder, 2012, p.3) & (Creswell & Poth, 2017, p.7). With this approach, the researcher aims to seek to gain an understanding of a phenomenon from the perspective of those who are experiencing the subject matter being investigated (Vaismoradi, Turunen, & Bondas, 2013, 398). This therefore requires that a researcher conducting this kind of study should apply both learning methods, internalising concepts and assumptions pertinent to a qualitative study (Hennik, Hutter, & Bailey, 2011, 9).

A qualitative approach collects nominal data and therefore one cannot apply mathematical or statistical methods in analysing the data (Collis & Hussey, 2009, 63). The issue of sampling or sample size is irrelevant in a qualitative study as the objective is to collect rich, quality and detailed understanding of the complexity of the phenomena. The study can be conducted by selecting a sample of one, or any number the researcher deems fit (Collis & Hussey, 2009, 62).

3.3 Research Method(s)

A research method is a technique applied in the collection and analysis of data (Collis & Hussey, 2009, 67) & (Kothari, 2004, 7). Some examples of such techniques are the recording of notes, content analysis, audio recording of an interview, visual recording or making use of observers. All the methods used by the

researcher in addressing the his/her research problem through his/her study are research methods (Kothari, 2004, 7).

A methodology refers to the study of research methods. A methodology also refers to an approach to the research process which includes a comprehensive body of methods (Collis & Hussey, 2009, 67). It is a systematic way of solving the research problem and where the steps taken by a researcher in addressing the research problem and the logic behind such steps are clarified and understood (Kothari, 2004, 8). There are a number of different research methodologies that are applicable under the different paradigm. This therefore means that the methodology that a researcher will choose, largely depends on the paradigms within which the research study falls (Collis & Hussey, 2009, 73-74).

The following are the different methodologies according to research paradigms (Collis & Hussey, 2009, 74-84).

3.3.1 Positivism/ Quantitative Methodologies

- *Experimental studies* – used to investigate the relationship between variables through a deliberate manipulation of the independent variables in order to observe how that would affect the dependent variable;
- *Surveys* – methodology designed to collect data using a sample, with the aim of extrapolating the results and make an inference on the population;
- *Cross sectional studies* – used to investigate variables or a group of subjects in different contexts over a particular time period;
- *Longitudinal studies* – an investigation of variables or group o subjects over a long time period.

3.3.2 Interpretivism/ Qualitative Methodologies

- *Hermeneutics* – an investigation whereby the focus is on interpreting and understanding the text in the context of the underlying social and historical forces;
- *Ethnography* – it is where the researcher applies knowledge that is acquired and shared through social means in order to understand observations of patterns of human activity;
- *Participative inquiry* – participants are fully involved in the study which is conducted in their own group or organisation;
- *Action research* – it is used in applied research in order to discover ways of bringing conscious change within an environment that is partly controlled;
- *Case Studies* – it is used to investigate a single phenomenon in a natural environment through applying various methods in order to gain in-depth knowledge and information on the phenomenon;
- *Grounded Theory* – it is where a systematic set of procedures is applied in order to develop an inductively derived theory regarding a phenomena;
- *Feminist, gender and ethnicity studies* – feminist studies are investigations undertaken to understand a phenomena from a female perspective rather than male, gender studies on the other hand are about understanding it from a perspective of both genders. Ethnicity studies are investigations carried out so that a phenomena can be understood from a perspective or experiences of the different ethnic groups (Collis & Hussey, 2009, 74-84).

3.3.3 Case Study Method

A case study is a research methodology that is used to investigate a single phenomenon in a natural environment through applying various methods in order to gain in-depth knowledge and information on the phenomenon (Collis & Hussey, 2009, 82). It is also described as an empirical inquiry that seeks to find answers to the “how” and “why” questions regarding a phenomena of interest. This methodology is one of the most commonly used qualitative research methodologies (Yazan, 2015, 1 & 148).

A case study allows the researcher to closely analyse the data within a particular context. It is common practice that in a case study, only a small number of individuals are selected as subjects for the purpose of the study (Zainal, 2007, 1). This research uses a number of different methods to collect data which may be quantitative or qualitative (Collis & Hussey, 2009, 82).

There has been some concerns about the methodological rigor of case studies regarding validity and reliability (Gibbert, Ruigrok, & Wicki, 2008, 1465). The other challenge is that it might be difficult negotiating to find a suitable case and this kind of research can be time consuming (Collis & Hussey, 2009, 83).

For a multiple-case study methodology, there needs to be some form of similarity in the cases (Stake, 2006, 21). The advantage of selecting a multiple case study approach rather a than single case study is that it advances the researcher’s understanding with relation to the research question. The reason for this advantage is that each case gives the researcher an opportunity to gain a better understanding of the issue as each case might show or explain a different aspect of the researcher’s issue of interest (Conway, Tsourtos, & Lawn, 2017, 3).

3.3.4 Case Study Protocol

A Case Study Protocol is a set of guidelines that can be applied in structuring and controlling the research study. It includes rules and procedures that should be used

in conducting the study. Case study research should ideally be undertaken through different stages, i.e. Selecting the case, conducting preliminary investigations, data collection, data analysis and report writing (Collis & Hussey, 2009, 83).

3.3.5 Sampling Design

A population is the collection of all possible data values that exist for the random variable under study (Wegner, 2016, 5). It can be time consuming to test the entire population and thus needs a lot of resources, it is therefore preferable to use samples. There are different types of sampling methods, i.e. Random and Non-Random Sampling (Wegner, 2016, 164) .

In a case study, only a small number of individuals are selected as subjects for the purpose of the study (Zainal, 2007, 1). The issue of sampling or sample size is irrelevant in a qualitative study as the objective is to collect rich, quality and detailed understanding of the complexity of the phenomena. There is also no intention to extrapolate the results to be representative of the population, there findings are not inferred upon the rest of other non-studied cases. The study can be conducted by selecting a one case, or any number the researcher deems fit (Collis & Hussey, 2009, 62).

There tends to be a risk of bias in the selection of a case study and researchers need to ensure that the limit bias as much as possible. One way of minimizing this bias, is to try and select the case studies in a random manner (Seawright & Gerring, 2008, 295).

3.3.6 Data Collection

Qualitative data, which are associated with interpretivism, are normally temporary and one can make more meaning of the data only within a particular context. This kind of data usually leads to findings that have a high degree of validity. Quantitative data on the other hand, is associated with positivism. These data are usually precise and can be collected at any point in time and within different contexts. The findings

that are drawn through the use of qualitative data usually have a high degree of reliability (Collis & Hussey, 2009, 143).

Interviews are a method used for collecting data from the case study subjects in order to gain an understanding of their views, feelings, challenges and experiences relative to the phenomena of interest of the researcher (Collis & Hussey, 2009, 144).

Interviews can be structured, unstructured or semi-structured. Unstructured interviews are usually conducted to get as much data as possible to get a deeper understanding of the subject matter. However, unstructured interviews can be very time consuming and may pose some challenges in how to record questions and answers, controlling the range of topics as well as analysing the data (Collis & Roger, 2009,144). We will therefore be conducting semi-structured interviews, i.e. with a mix of open-ended questions and closed questions for the purpose of this study.

According to Gillham (2007, 2) questionnaires are one of the ways that can be used in the collection of data. There are certain advantages in using questionnaires for collecting data.

Some of the advantages (Gillham, 2007, 5-8) are :

- It is less time consuming and less expensive;
- It can facilitate the protection of the respondent's confidentiality and possibly anonymity;
- The standardisation of questions ensures that all respondents are asked the same questions, thus eliminating bias;

Some of the disadvantages (Gillham, 2007, 9-11) are:

- There is a lack of control over "how" and the context in which respondents answer;
- It is sometimes challenging to motivate respondents to complete the questionnaire;
- The wording of the questions sometimes has an effect on the answer.

3.3.7 Reliability, Validity and Triangulation

Reliability – is the absence of random error (Gibbert, Ruigrok, & Wicki, 2008, 1468). In determining the credibility of the research findings, it is important that if the research was to be repeated, the researcher should be able to reach the same conclusion as the findings drawn should be materially not different to those drawn initially. If this is the case, there is a high degree of reliability on the data and/or research findings. Reliability is more important in a positivistic study (Collis & Hussey, 2009, 64).

Validity – is the degree to which the phenomena under study is accurately reflected by the research findings. A test or an effect is deemed valid if it clearly demonstrates and/or measures what the research thought or claimed it would. Validity is usually higher in an interpretivism study due to richness and the level of detail of information gathered to understand and explain the phenomena under study (Collis & Hussey, 2009, 65). There are different types of validity, i.e. Internal/logical validity which relates to the causal relationship between variables and the findings. There is also construct and external validity (Gibbert, Ruigrok, & Wicki, 2008, 1466 & 1467).

Triangulation – is the use of various data sources, applying different research methods and/or making use of more than one researcher to undertake the study of the same phenomenon. The objective of triangulation is to increase the degree of validity and reliability of research findings and conclusions (Collis & Hussey, 2009, p.85). It also seeks to ensure that the researcher gains an in-depth understanding of the phenomena being investigated (Denzin, 2012, 82).

3.4 Research Method for this study – Multiple Case study

This study is located in the qualitative paradigm. The interpretivism approach will ensure that this research describes what factors pose threats to the sustainability of emerging black construction companies. The aim of this study is not to test any hypothesis but to rather explore and gain an in-depth understanding of the construction industry, the role of the government and to understand what factors affect the emerging black construction companies to a point of threats to their

sustainability. In order for this study to achieve its objectives, a qualitative research paradigm was most suitable.

In order to allow for in-depth exploration, the case study method was selected for this study. A multiple-case study method was selected as it would allow for the to further broaden the understanding of the phenomenon under of the study.

The two black-owned construction companies used as the subjects for this study were selected on the basis that they would enable this research to get to determine what factors play a role and what are the threats to their sustainability, in spite of the government's efforts to support them.

The criteria used to select the two subjects is as follows:

- The construction company is black owned;
- The company is an SME as defined in the National Business Act;
- The construction company is registered on the CIDB register of contractors.

3.5 Case Study Subjects for this Study

The businesses selected as subjects for this study are two construction companies from the Eastern Cape Province. They were selected as they met the minimum criteria used for selection of cases for thus study such as that:

- The construction company is black owned;
- The company is an SME as defined in the National Business Act;
- The construction company is registered on the CIDB register of contractors.

3.6 Case Study Protocol for this Study

There are a number of rules and guidelines developed for this study. These are rules and guidelines (among other) such as the selection of the construction companies that will be selected, ensuring there are ethical considerations that have to be adhered to, how the interview will be collected, data collection and analysis.

3.6.1 Ethical Considerations

To ensure that the research is undertaken in an ethical manner, there will be no coercion on those taking part in the study and their participation will purely be on a voluntary basis. Furthermore, the value of anonymity and confidentiality will be protected and held at high regard and participants will be assured of these. Participants will be well informed about the purpose of the research and their dignity will be protected. Where information was received from other sources, for example, journals, books etc. that fact will be clearly indicated and necessary citations will be adequately referenced.

3.6.2 Field Procedures

The following field procedures were followed as part of this study:

- A list of contractors was obtained from the CIDB register of contractors. Two contractors with a CIDB grade of six (6) or (7) with a Potentially Emerging (PE) status was selected;
- Contact details were obtained from the yellow pages and Facebook page and the contact person's details were obtained from the company;
- The company representative was contacted and the necessary introductions were and the reason for the call was explained. Email addresses were requested so that the questionnaire could be emailed;
- A letter of formal introduction with the background and the reason for the study was drafted. This letter was sent via email and attached to it was the interview questionnaire;
- The interviews were scheduled through telephone calls to the subjects and confirmation of a mutually convenient time and venue was confirmed;
- At the start of the interview, the subjects were informed and given assurance that their anonymity and confidentially information shared will be protected.

3.6.3 Data Collection Methods

It was important that the data that was collected be of good quality as that would have an effect on the quality of information generated as well as the research findings. The method of collecting data that was used were in-depth interviews. The purpose of the interviews was to ask the interviewees a number of questions that would enable the researcher to find out their views, feelings, challenges and experiences in the construction industry as black contractors. Due to the challenges that unstructured interviews might expose the researcher to, therefore conducted semi-structured interviews were conducted, i.e. with a mix of open-ended questions and closed questions.

3.6.4 Interviews

The interviews were conducted on a one-to-one basis. These interviews were conducted in natural locations so that other observations could be made, furthermore this allowed for probing questions in order to deeply explore what would be critical factors that pose threats to the sustainability of emerging black contractors. The interviews were semi-structured in that there was a questionnaire that had a mixture of open-ended questions and closed questions. In order to get more clarity or more information, probing questions were asked.

3.6.5 Data Collection Instruments

The instrument that was used to collect data in this study was interview schedules. The questions were a mix of open-ended and closed questions, that were clear, simple and unambiguous. The questions were developed in order to ensure that the important issues are well covered and the relevant and necessary information on them would be sought. The concepts that were identified upon conducting the literature were considered when the questions were developed. The questionnaire was distributed to the subjects via email and the covering letter or the body of that email gave an explanation and the background as to the reasons the study was undertaken. The data was collected during the face-to-face interviews through note-taking.

3.6.6 Data analysis and interpretation

A qualitative approach is inductive in its nature. The questions that the researcher tends to ask are more exploratory and open-ended, with the data being more in a narrative form. The analysis therefore deals more with feelings, experiences, characteristics, opinions, and values associated with the phenomena of interest or those being interviewed (Grbich, 2013, 26). It is important for the researcher to be able to manage people's multiple and contrasting views (Hennik, Hutter, & Bailey, 2011, 205).

It was important to ensure that the data collected was controlled and managed well. This was due to the significant volume of data that is usually generated from a qualitative research. Non-quantifying methods of data analysis were applied in order to reduce, categorize and structure the data in a manner that would make it easy to analyse. Data was analysed by way of "reduction of data" and a "general analytical procedure. The data collected was structured and organised as the questionnaire was also developed in a manner that ensured that questions are grouped according to themes or concepts.

3.7 Chapter Summary

The chapter explains the research methodology that this study follows. It contained a discussion on what a research paradigm is and the different research paradigms, i.e. the positivistic paradigm which is associated with quantitative data and the interpretivism which is associated with qualitative data. The different types of qualitative and quantitative methodologies are identified and explained.

This research study is in a qualitative paradigm and a multiple case study method is applied in order to gain an in-depth understanding of the construction industry, the government's role and any potential threats to the sustainability of emerging black construction companies. It was necessary to explain and state the ethical considerations, field procedures, data collection methods and instruments, data analysis methods applicable to the undertaking of this study. Sampling design and its non-applicability is explained.

The chapter contains a brief summary of the cases chosen as subjects is and the criteria that was applied in selecting these cases. The next chapter will be a detailed analysis of the data collected during the one-on-one interviews conducted with the subjects, through using a research questionnaire.

CHAPTER 4

ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

4.1 Introduction

In Chapter 3 the research methodology applied in this study was explained in detail. The meaning of research paradigms was also explained. Reference to literature was made to explain what research paradigm is and what the different paradigms are. Furthermore, the chapter includes a discussion of what a positivist and interpretivist paradigm is and how they relate to the concept of a qualitative and a quantitative approach.

The chapter included an explanation of the case study method that is applicable in this research study and the reasons sampling is not applicable. The different data collection methods and techniques are identified and the method that would be adopted in this study was clearly indicated.

This research study adopted a multiple case study approach, where two cases were chosen. In order to comply with ethical guidelines as explained in the previous chapter and to protect their anonymity of the subjects, they are referred to as Case A and Case B.

The method of data collection chosen for this study was an in-depth interview of the subjects, using a questionnaire that was designed to ensure that rich quality and detailed data would be collected. At the start of the interviews, the purpose of the interview was explained and the interviewees were re-assured that their confidentiality and anonymity would not be compromised. This chapter includes a detailed report of the two face-to-face in-depth interviews that were conducted with Case A and Case B.

4.2 Case A - Biographical Data of Interviewee

The interviewee is a 37-year-old African male who resides in East London where the construction company is also based. His highest formal education level is matric and he is the owner of the business. He has been the manager of the company since its inception in 2002 to date.

4.3 Case A - About the Organisation

What type of a legal entity is the organisation?

What is the core business of the organisation?

How long has the organisation been in operation?

The organisation is a Closed Corporation and its core business is construction. The construction company has been in operation since 2002 and therefore about 15 years now.

In which geographical area or province does the organisation mainly operate?

Is the organisation managed by the owner or by an appointed manager?

The company mainly operates in the Eastern Cape and has had very few projects outside the province. The company is managed by the owner who is very hands on in the business.

What is the size of the organisation in to relation:

- *Number of permanent employees?*
- *Approximate turnover per annum?*

The company has eight (8) full time and permanent employees. The organisation also hires temporary staff and/or labourers depending on the projects that are under construction and/or that the organisation has on the order book. The approximate annual turnover of the organisation is R10 million per annum, but there are good years and bad years where it is sometimes more or less.

What is the B-BBEE status of your organisation in terms of:

- *Level contributor ?*
- *Black ownership percentage ?*
- *Women ownership percentage?*
- *Youth ownership percentage ?*
- *Disabled persons percentage % ?*

The company is a level one (1) B-BBEE contributor. It has 100% black ownership, with no women, youth or disabled persons ownership.

4.4 Case A - CIDB Status and Entity Development

Does the organisation have Potentially Emerging status per the CIDB?

What classes of works (per CIDB definitions) does the organisation undertake?

What is/are the CIDB grade(s) as per the class(es) of works referred to in question (2) above?

Yes, the company is recognised by the CIDB as potentially emerging. The company undertakes various classes of works. It is qualified to undertake civil engineering (CE) and general building (GB) works. The company is also qualified to do specialist works such as the installation of fencing, hence the SQ designation. The CIDB grades of the company are 6GB, 4CE and 2SQ.

Has the organisation ever participated in any Contractor Development/Incubator Programme (CDP/CIP)? If so:

The organisation has never been in any kind of a contractor development programme. The owner started it from scratch and all that been learned and achieved thus far is self-taught.

4.5 Case A - Strategy Formulation

Does the organisation have a mission statement? And if so, why is it important to have a mission statement?

*Does the organisation have a vision? And if so, why is it important to have a vision?
Is the mission and the vision communicated to all the relevant stakeholders?*

The organisation does not have a mission statement and it also does not have a vision. It does not have an informal and undocumented mission or vision. The reason being that there are no formalities like developing strategies as the owner/manager is not aware of the need for these.

Does the organisation have formulated strategic plans?

Are the strategic objectives formulated in line with the strategic plan?

Does the organisation have strategic objectives? Please provide examples.

The organisation does not undertake strategy formulation. It does not have a strategic plan and strategic objectives. The owner/manager was not aware what strategy formulation is and the need for his organisation to ensure that is in place. There are therefore also no formal strategic objectives that developed. Although there are no formally documented strategic objectives the company does however have undocumented objectives. The strategic objectives are as follows:

- To grow and to become a 7GB and later to be 8GB in terms of the CIDB grading classification;
- To ensure that all projects are completed on time and are of good quality.

Are the strategic objectives in line with the SMART principle, i.e. being Specific, Measurable, Appropriate/Achievable, Realistic, Time-bound ?

No. The interviewee was not aware of the SMART principle and that strategic objectives need to be assessed against that smart principle. The objectives set are therefore not SMART, as for example there is not set time frame as to when the organisation needs to be a 7GB or and 8GB by.

What kind of assessment tools does the organisation apply when testing the objective for meeting the SMART criteria?

There are no assessment tools applied in measuring the organisation's objectives against the SMART principle. This is due mainly to the fact that the interviewee stated that they are not even aware of the SMART principle.

4.6 Case A - Specific Strategies

4.6.1 Case A - Corporate/Growth Strategy

Which of the following corporate strategies does the organisation apply?

- *Sub-contracting, Joint Venture or Consortia arrangements;*
- *Diversification – i.e. entering into other related or unrelated types of business;*
- *Vertical integration.*

The only strategy that is used is that of sub-contracting. This only relates to being the main contractor and outsourcing parts of the projects to the sub-contractors. The company has not entered into any joint venture arrangements due to the complications that sometimes come with joint ventures arrangements. Some of these complications appear when there is a relationship breakdown between the joint venture partners and it affects the performance and the reputation of a company. This is one of the reasons that the interviewee chooses not to enter into joint venture arrangement. The company has not yet considered consortia arrangements and has thus not been involved in any.

How does the chosen corporate strategy contribute to the success of the organisation?

Apart from the fact that on government work we have to subcontract in order to support SME's, sub-contracting allows the company to finish on time and produce quality work. This is due to the fact that some of the sub-contracted work is conducted by those who are specialists such as electrical contractors, drilling companies etc.

4.6.2 Case A - Human Resource Strategy

How does the organisation recruit its workforce? Skilled and unskilled.

The organisation does not have a formal HR strategy. It recruits its employees through work of mouth referrals. For labourers that specialise in specific trades, it is by word of mouth and also confirming from previous employers or inspecting some of the work they have undertaken.

How does the organisation ensure it retains talent?

The interviewee stated that it is very difficult to keep employees in the industry and that it is not easy to earn employees' loyalty. This is so difficult in that when the employee knows that he/she is good at what they do, they tend to bully the employer. These bullying tactics are for example threatening to leave the company to abandon the construction site especially at critical periods that would jeopardise the success of the projects. So in order to retain them, the company ensures that it offers decent financial offers and good working conditions.

How does the organisation ensure that its workforce has the relevant skills and capabilities necessary for the organisation to deliver per the client's expectations? e.g. training

The company does not yet have the capacity to send its workforce on regular training. The labourers are, however, attend training through the project provisional training that is mandatory to be given on the particular project. Examples of such mandatory training is Scaffolding erector, Bricklaying, Occupational Health and Safety training.

What performance measurement tools does the organisation use to assess the performance of employees?

The performance management tool is not very formal. The tool that is used to measure performance of is by assessing the quality of work through reference to the

work certified by the professional team or principal agent, for example, Quantity Surveyor etc. The time taken to complete the project is also used to assess the team and the company's performance.

Are employee rewards linked to performance? If so, how?

Yes, rewards are linked to performance. Employees are paid performance bonuses. There is no other type of reward except for salaries/wages and performance bonuses.

4.6.3 Case A - Marketing Strategy

What is the brand or reputational promise of the organisation?

It is to deliver projects on time and they must be of good quality.

How does the organisation market/promote its products and/or services?

The company does not do any formal marketing of its services. This is mainly because the company gets work through tendering for government work. The good quality of work that the company produces and good references received when tendering for work is the kind of marketing that the company does.

How does the organisation build its competitive advantage?

Producing quality work and ensuring that projects are completed on time is what makes the organisation more competitive. The other competitive advantage that the organisation enjoys is that of ensuring that the work on site is not interrupted by challenges in receiving payments. There is therefore progress on projects regardless of progress in receiving payments from clients, hence projects are completed on time in spite of payment delays. This protects the reputation of the company of completing projects on time.

What kind of a client base does the organisation service? e.g. Government, individuals, private sector etc.

The company only has the government as its client.

What process is used by the organisation to decide on which clients to target?

The client only focuses on doing government work. The only decisions that are made are those tenders on which the company will respond to. The decision as to which projects to tender for is mainly driven who the client is (for example, the specific government department, municipality, state owned entity etc). The company considers what the working relationship was with that particular client regarding payments on previous projects undertaken by the company. The company also considers if they meet the minimum CIDB grading requirements.

How does the organisation ensure that good client/stakeholder relations are maintained to gain customer satisfaction and/or loyalty?

There is no real client loyalty that one gets through the government tendering process as the company does not receive work based on relationships. The company does however ensure that customer satisfaction is achieved through delivering good quality projects and within the agreed upon time frame.

4.6.4 Case A - Financial Strategy

Does the organisation measure its financial performance?

What kind of formal financial performance reports does the organisation prepare?

What is the frequency of preparation of formal financial performance reports? e.g. monthly, quarterly, annually etc.

Yes, the organisation measures its financial performance. The financial performance is measured through the preparation of financial statements and cash flow statements on an annual basis. The company also prepares projected cash flow per project and these are used to assess performance on a project by project basis.

What kind of a funding model does the organisation apply? For example, owner contribution and/or loans etc.

In order to fund the organisation's operations or capital requirements, a mix of own capital that is contributed by the owner and debt funding is used.

Does the organisation make use of the services of the state-owned funding institutions?

Yes, the company obtains loans from the Eastern Cape Development Corporation (ECDC). The only challenge with applying for financing from ECDC is the period it takes for the funding application to be approved due to their own internal processes that take a considerable amount of time.

Does the organisation experience any challenges with working capital or cash flow management due to delays in collection of accounts receivable (debtors)?

Yes. The company experiences problems with suppliers, labourers and loan repayments. Sometimes this leads to the refusal by suppliers to deliver more material until payment is made. The effect of being unable to receive materials is that labourers work slower on site so that the material is not depleted quickly as this would make them idle. The other challenge for the company when there is no material is that workers are paid a fixed rate, so when they are idle on site they still get paid regardless. The other challenge is that when their progress is stalled, the client still blames the contractor although the delay in payments by the very same client is the root cause of such site progress delays.

4.7 Case A - External Environment Analysis

4.7.1 Case A - PESTEL Analysis

*Does the organisation use the PESTEL analysis to assess its external environment?
If the organisation does not use PESTEL, what analysis method is used?*

No, the organisation does not make use of PESTEL to analyse its external environment. There is no formal process adopted to analyse the external environment. An informal way of analysing the environment is sometimes made through engagements with industry peers, attending stakeholder engagement forums initiated by government and through the newly established Eastern Cape Black Contractors Association. These are the platforms from which the company gains information on the industry and any developments.

4.7.2 Case A - Porter's Five Forces Analysis

The Threat of New entrants:

Is the construction industry (within your geographical area/market space) easily accessible (i.e. low barriers to entry) ?

It depends. On the entry levels such as CIDB grades one (1) to three (3) it is easier to get into the industry. It is rather very difficult for companies aspiring to be in the same league as the grade eight (8) and nine (9) to enter that space within the industry. The reasons it is difficult is that it needs a stronger financial and resource capacity as this means that the company is undertaking big construction projects that are sometimes more complex.

Do you consider new entrants (e.g. new companies or companies from other geographical area) as to be a threat to the success of the organisation? If new entrants are not considered a threat, why is that so?

Yes, the only threat is new entrants from other provinces and not those completely new in the industry as those will have to start from the bottom i.e. at CIDB grade one (1) and they would have to still take time to grow. The interviewee indicated that threat comes from the companies within the same on higher grade form other provinces as they tender for work in the Eastern Cape too and this increases competition.

If new entrants are considered a threat:

- *What strategies/safeguards have you put in place to minimize or eliminate the threat?*
- *Are these strategies/safeguards effective? Please explain.*

The interviewee indicated that there are no formal strategies that the company puts in place as government work is obtained through a public tendering system. The company just needs to make sure that they offer the best tendering price that they can afford and still make a decent profit on the projects tendered for.

The Power of Suppliers:

Can you easily change suppliers i.e. there is a number of them that you can easily choose to source your supplies from?

Yes. There are a number of suppliers all over the province and changing suppliers is not difficult especially when paying for materials on a cash basis. It is sometimes difficult when the company has to buy on credit.

What effect or potential impact does the supplier have on the success of the organisation?

The only risk that there is with suppliers is when the company buys on credit and the clients delay in paying the company. The suppliers charge interest and they also threaten not to supply any more materials until payment has been made. The impact is that they do not deliver materials to site and there projects get delayed.

What strategies/safeguards have you put in place to manage a threat of suppliers having power over the failure or success of the organisation?

The company tries to pay for materials when there is cash available so that there are no delays in getting materials to site. The other safeguard is that the company negotiates with suppliers and the client to enter into a cession agreement, so that the client can pay the supplier directly for materials supplied. Suppliers prefer this

cession agreement as it is a guarantee to them that they will be paid the amounts due to them.

The Power of Customers/Clients:

Do the clients have the power to influence the price you charge for your product or service?

Yes, as the prices need to be attractive as there is a lot of competition in tendering process. Sometimes the client enters into negotiations when the winning bidder's price is above the budget they have. The client can negotiate for the price to be lower but this is only on exceptional cases.

If there is such a threat by the clients, is it significant enough to potentially affect the organisation's chances of failure or success?

No. This seldom happens and the company does not engage in projects where it will not be profitable for the company to accept a bid.

What strategies/safeguards have you put in place to manage this threat?

There are no safeguards, except for ensuring that the company charges prices that are competitive but still profitable.

The Threat of substitute products:

Are there substitute products which can substitute the products the organisation offers?

If there are substitute products available, please explain.

Yes, there are substitute products such as prefabricated structures and green technology such as the new Alternative Building Technologies (ABT) or Alternative Construction Methods (ACM) which are quicker to erect than brick and mortar structures.

What strategies/safeguards have you put in place to manage this threat?

There are no safeguards put in place to address this threat.

Degree of Rivalry:

Does the organisation analyse who its competitors are?

If so, what makes them competitors?

There is no formal way of analysing the company's competitors. However, the interviewee stated that the company is aware that it has competitors and these are other construction companies within the industry and those that the company competes with when tendering for government work.

Does the existence of these competitors pose a threat to the success of the organisation?

What strategies/safeguards have you put in place to manage this threat?

The existence of these competitor does pose a threat to the success of the organisation, especially that the company does not have any guarantee is getting work but depends on winning bids through the government public tendering process. There are no safeguards in place to address this threat.

4.8 Case A - SWOT Analysis

Does the organisation use the SWOT analysis to assess its strengths, weaknesses, opportunities and threats?

If the organisation does not use SWOT, what analysis method is used?

The company does not conduct SWOT analysis. There is no formal process in place to perform any such analysis on the organisation.

4.9 Case B - Biographical Data of Interviewee

The interviewee is a 50-year-old African male who resides in East London where the other office of the construction company is also based, the other office is in Johannesburg. His highest formal education level is matric and he is the contracts manager for the business. The company is owned by his wife and she works as an administration manager in the business. He has been working in the construction industry for almost 15 years now.

4.10 Case B - About the Organisation

What type of a legal entity is the organisation?

What is the core business of the organisation?

How long has the organisation been in operation?

The business is a Close Corporation and its core business is construction. The construction company has been in operation since 2006 and has therefore been in existence for 11 years now.

In which geographical area or province does the organisation mainly operate?

Is the organisation managed by the owner or by an appointed manager?

The company operates in the Eastern Cape and in the Gauteng province and it has offices in the East London and in Johannesburg. The company is mainly doing construction projects in the two provinces where it has offices in. The company is managed by a contracts manager, who is a husband of the owner. The owner is hands on in the business as she is working as an administration manager for the company, in the East London office. There is a manager that is appointed in the Johannesburg office.

What is the size of the organisation in relation:

- *Number of permanent employees?*
- *Approximate turnover per annum?*

The company has fifty (50) employees, which includes 30 full time and permanent employees. Depending on the projects the company is busy with, additional workers are hired when there is a need. The approximate annual turnover of the organisation is R100 million per annum.

What is the B-BBEE status of your organisation in terms of:

- *Level contributor ?*
- *Black ownership percentage ?*
- *Women ownership percentage?*
- *Youth ownership percentage ?*
- *Disabled persons percentage ?*

The company is a level one (1) B-BBEE contributor. It has 100% black, woman and youth ownership and no disabled persons ownership.

4.11 Case B - CIDB Status and Entity Development

Does the organisation have Potentially Emerging status per the CIDB?

What classes of works (per CIDB definitions) does the organisation undertake?

What is/are the CIDB grade(s) as per the class(es) of works referred to in question (2) above?

Yes, the company has potentially emerging status according to the CIDB. The company undertakes different classes of works. It is qualified to undertake civil engineering (CE) and general building (GB) works. The CIDB grades of the company are 6GB and 7CE.

Has the organisation ever participated in any Contractor Development/Incubator Programme (CDP/CIP)? If so:

- *With which entity was the CDP/CIP undertaken with?*
- *How long was the CDP/CIP for in years/months?*
- *How long ago has the organisation completed and exited the CDP/CIP?*

Yes, the company was in a Contractor Development Programme of the Eastern Cape Provincial Department of Roads and Public Works (DRPW) in partnership with the Buffalo City Metropolitan Municipality (BCM) where they took 10 companies into the programme. The programme was initially set to be for 3 years, but it was later extended by a further two years. The programme was eventually for a total of five years and the company exited the programme in 2011 when it ended.

➤ *Did the CDP/CIP incorporate mentorship, targeted procurement or any other type of developmental assistance? Please explain*

Yes. The programme was structured that at the beginning there were learnerships, where the classes were attended and basic theory in construction and the construction business was taught. Upon completion of the theory, the next stage was the practical work and this is the stage where mentors were actively engaged. The mentors were built environment professionals such as Engineers.

There was targeted procurement in that there were projects that were set aside and work was packaged in a manner that we would gain practical experience on them. These work packages were for example, sanitation (building toilets), bulk water reticulation and roads.

Is there any post - CDP/CIP support or monitoring by the institution that offered the CDP/CIP to your organisation?

No, there is no support that the company received from DRPW or BCM after exiting the CDP. The interviewee indicated that this is where the challenges is, because after completing the programme the organisation is on its own. The interviewee further indicated that some of the companies they were in the CDP with have since closed down and others have been downgraded by the CIDB. The downgrade is as a result of spending an extended period of time without any active projects.

4.12 Case B - Strategy Formulation

Does the organisation have a mission statement? And if so, why is it important to have a mission statement?

Yes. The mission of the company is “To deliver a quality product that meets our clients’ needs”. It is important to have a mission statement because it tells stakeholders what the company is about and what the reason for its existence is.

*Does the organisation have a vision? And if so, why is it important to have a vision?
Is the mission and the vision communicated to all the relevant stakeholders?*

Yes. It is important to have a vision because it makes the organisation reflect on where it wants to see itself in the future. The vision of the company is as follows:

- To be the best service provider that provides excellent quality to the clients in the industry;
- To be a leading self-sustainable construction company through hard work and proper financial control;
- To expand services throughout Africa.

Does the organisation have formulated strategic plans?

Are the strategic objectives formulated in line with the strategic plan?

Does the organisation have strategic objectives? Please give examples

Yes. The interviewee stated that there are no formally documented strategic plans from which the strategic objectives would be developed. The company views the strategic objectives as their strategic plan. The strategic objectives are as follows:

- To make a visible contribution through an invincible service to our clients towards the attainment of their desired goals and objectives;
- To provide sustainable quality services and products to all clients through innovative construction solutions;

- To make a valuable contribution to Rural and Economic Development as well as Human Resource Development as an integral and key part of Organisational Development philosophy;
- To render innovative and unique civil and building construction services to enhance and improve the industry;
- To deliver high quality products, cost effective and well managed projects.

Are the strategic objectives in line with the SMART principle, i.e. being Specific, Measurable, Appropriate/Achievable, Realistic, Time-bound ?

No. The interviewee was not aware of the SMART principle and that strategic objectives need to be assessed against that smart principle. The objectives set are therefore not SMART, for example they are not time bound.

What kind of assessment tools does the organisation apply when testing the objective for meeting the SMART criteria?

There are no assessment tools applied in measuring the company's strategic objectives to determine if they are SMART or not. The interviewee indicated that they were not aware of the SMART principle.

4.13 Case B - Specific Strategies

4.13.1 Case B - Corporate/Growth Strategy

Which of the following corporate strategies does the organisation apply?

- *Sub-contracting, Joint Venture or Consortia arrangements;*
- *Diversification – i.e. entering into other related or unrelated types of business;*
- *Vertical integration.*

The company enters into joint venture agreements as well as subcontracting by being the main contractor and also being a subcontractor. An example of this is when the company was a subcontractor on SANRAL projects. The company also

undertakes turn-key projects and an example of this is the sanitation turnkey projects for BCM.

The company has not diversified into other businesses but only through plant hire services that it offers. Vertical integration is achieved through the plant hire service that the company also offers, where its plant and equipment is used by the company and also rented out to other construction companies.

How does the chosen corporate strategy contribute to the success of the organisation?

The interviewee indicated that when tendering for government work, it is required for developmental and transformation purposes such as SMME and enterprise development. When outsourcing parts of the projects, this allows the company to focus on the type of work that it masters and to subcontract such things as specialised work. This allows for improved quality and to deliver on time.

4.13.2 Case B - Human Resource Strategy

How does the organisation recruit its workforce? Skilled and unskilled.

The organisation does not have a formal HR strategy. It does however recruit its employees through various methods. Vacancies are advertised on media platforms such as social media and the newspaper. Word of mouth referrals are occasionally used to recruit staff.

How does the organisation ensure it retains talent?

The interviewee indicated employees are retained through offering them good pay packages, performance bonuses and providing them with good working conditions and a positive and constructive work culture.

*How does the organisation ensure that its workforce has the relevant skills and capabilities necessary for the organisation to deliver per the client's expectations?
e.g. training*

The company ensures that when it recruits, it recruits competent and experienced employees. Furthermore, to ensure that employees' skills remain relevant and up to date with industry developments, they are offered training opportunities. Employees attend courses such as project management. There are also provisional training that is offered per project and workers also benefit from this training.

What performance measurement tools does the organisation use to assess the performance of employees?

There are various performance management tools that are used by the company. Day to day site reports are used and site progress monitoring. Payment certificates for work certified are used as a measure of progress and quality assessment. Continuous and regular assessment of progress against the works programme is used to determine milestone achievements and the timing thereof.

Are employee rewards linked to performance? If so, how?

Yes, rewards are linked to performance. Projects based/linked employees are paid performance bonuses per project completed within time and of quality. Administration staff are paid bonuses when based on the company-wide performance.

4.13.3 Case B - Marketing Strategy

What is the brand or reputational promise of the organisation?

The interviewee indicated that the brand or reputational promise of the company is demonstrated by the company's values which are:

- Providing clients with services of exceptional quality and standards;

- Skills transfer and harnessing of the entity's human resource, enabling an environment where employment opportunities are created;
- Adhering and complying with the rules and regulations;
- Maintaining high standards of integrity, professionalism, transparency, accountability, effective after-care services;
- Adhering to a non-discriminatory policy in relation to Health and Safety.

How does the organisation market/promote its products and/or services?

The company mainly generates its business through tendering for government work. References for work done are normally the way the company sells its service. The company also advertises on the yellow pages.

How does the organisation build its competitive advantage?

The interviewee indicated that the company gains its competitive advantage through producing quality work and ensuring that projects are completed on time. The fact that the company owns its plant and equipment is another advantage as it is able to quote lower rates as a result of using its own plant and that gives the organisation a price advantage when tendering. The company also ensures that it employs professional and competent teams.

What kind of a client base does the organisation service? e.g. Government, individuals, private sector etc.

The company only has the government as its client, i.e. municipalities, departments and state-owned entities.

What process is used by the organisation to decide on which clients to target?

The client only focuses on doing government work. The decision as to which projects to tender for is mainly driven who the client is and whether or not they pay on time. The company considers profitability of projects and their location to determine if it will

be logistically feasible to tender for the project(s). The company also considers if they meet the minimum CIDB grading requirements.

How does the organisation ensure that good client/stakeholder relations are maintained to gain customer satisfaction and/or loyalty?

The company ensures that customer satisfaction is achieved through delivering good quality projects and within the agreed upon time frame.

4.13.4 Case B - Financial Strategy

Does the organisation measure its financial performance?

What kind of formal financial performance reports does the organisation prepare?

What is the frequency of preparation of formal financial performance reports? e.g. monthly, quarterly, annually etc.

Yes, the organisation measures its financial performance. This is achieved by preparing monthly management accounts, annual financial statements and cash flow statements on a per project basis. The company prepares these projected cash flow statements per to assess performance on a project by project basis.

What kind of a funding model does the organisation apply? e.g. owner contribution and/or loans etc.

The capital needed for the company is contributed by the owner and there is no debt funding that is used.

Does the organisation make use of the services of the state-owned funding institutions?

No. The unpleasant experience that the company has with applications for funding from government funding institutions is the period it takes for the funding application to be approved. The turnaround time taken to grant an approval is so long that by the time the approval is granted, the company would have been almost complete with

the project. The company has bad experience in that it would get asked to submit documentation and when following up on the status of the application, the officials just send the applicant from pillar to post. It is also very difficult to get an overdraft facility.

Does the organisation experience any challenges with working capital or cashflow management due to delays in collection of accounts receivable (debtors)?

Yes. The company experiences problems with receiving payment from clients, for example there is a payment that the company only received the funds after a year in waiting. These delayed payments result in challenges in paying suppliers and employees.

4.14 Case B - External Environment analysis

4.14.1 Case B - PESTEL Analysis

*Does the organisation use the PESTEL analysis to assess its external environment?
If the organisation does not use PESTEL, what analysis method is used?*

No, the organisation does not make use of PESTEL to analyse its external environment and the interviewee indicated that he is not aware of the PESTEL analysis framework. There is no formal process that is used to analyse the external environment. There is only an informal way of analysing the environment through engagements with industry peers, newspapers and social media.

4.14.2 Case B - Porter's Five Forces Analysis

The Threat of New entrants:

Is the construction industry (within your geographical area/market space) easily accessible (i.e. low barriers to entry) ?

No. It is not easily accessible especially for higher CIDB grades. It also depends on the type of construction projects, or example road construction if not easily accessible as the type of equipment, professional skills and high capital injection is required.

Do you consider new entrants (e.g. new companies or companies from other geographical area) as to be a threat to the success of the organisation?

If new entrants are not considered a threat, why is that so?

No, the reason being that it is not easy to access the industry. There is however a threat from new entrants into the Eastern Cape Province. The fact that projects are awarded via the public bidding process, this opens up the Eastern Cape companies to more risk as companies from outside the province have an opportunity to compete.

If new entrants are considered a threat:

- *What strategies/safeguards have you put in place to minimize or eliminate the threat?*
- *Are these strategies/safeguards effective? Please explain.*

The only strategy in place is for the company to tender into as many projects as possible to increase chances of getting awarded with projects. The other strategy is to ensure that the price offered by the organisation is as competitive as possible. The company also ensures that the tender document is prepared very well so that there is no reason for the bids to get disqualified on evaluation. These strategies are not always effective, as tendering is like a gamble, there are no guarantees of winning them.

The Power of Suppliers:

Can you easily change suppliers i.e. there is a number of them that you can easily choose to source your supplies from?

Yes. The company pays for the materials or other services cash, which makes it easier to exercise a choice of which suppliers to buy from. The only challenge is with the road construction as there is only one supplier of Asphalt and concrete materials in the Eastern Cape.

What effect or potential impact does the supplier have on the success of the organisation?

The challenge is with the purchasing of asphalt and concrete materials. There is only one supplier in the Eastern Cape, so the supplier has a price advantage and there is little room for negotiating better prices. The other potential risk is that if the supplier would not deliver materials when needed to, this would negatively affect the progress on site and ultimately affect the reputation of the company.

What strategies/safeguards have you put in place to manage a threat of suppliers having power over the failure or success of the organisation?

The company manages this risk by paying cash for materials so that there can be room to negotiate better prices or buy from any supplier of choice. There is unfortunately no strategy in place to manage the risk associated with road construction materials single supplier.

The Power of Customers/Clients:

Do the clients have the power to influence the price you charge for your product or service?

Yes. The issue of tendering forces the company to put in a smaller profit margin as possible in order to be able to compete with other companies and to increase the chances of winning a bid.

If there is such a threat by the clients, is it significant enough to potentially affect the organisation's chances of failure or success?

Yes. The clients can also cause a company to close down due to delays in payments of amounts due as this leads to a company being unable to have working capital to pay its bills.

What strategies/safeguards have you put in place to manage this threat?

There are strategies put in place. For example, the purchasing of materials cash. This avoids the risk of the company being unable to pay its suppliers when clients delay to pay the company as this would lead to a bad credit rating and incurring of interest expenses. The other strategy is that of ensuring that when choosing to bid for projects, the client advertising such projects is carefully considered in terms of their history or reputation regarding the efficiency of paying its service providers.

The Threat of substitute products:

Are there substitute products which can substitute the products the organisation offers?

If there are substitute products available, please explain.

Yes, there are substitute products to brick and mortar that the company has experience on. There are these new Alternative Building Technologies (ABT) which are quicker to erect than brick and mortar structures. This challenge with this is that this ABT is specialised and there are only a few accredited companies that supply and erect it.

What strategies/safeguards have you put in place to manage this threat?

There are no safeguards put in place to address this threat as it is the clients that decide on the specifications of projects and the type of material to be used.

Degree of Rivalry:

Does the organisation analyse who its competitors are?

If so, what makes them competitors?

There is no formal way of analysing the company's competitors. However, the interviewee stated that the company is aware of these competitors as they attend tender briefings together. The company also looks at the prices that other construction companies tender for as these are read out in public after the official closure of bids.

Does the existence of these competitors pose a threat to the success of the organisation?

What strategies/safeguards have you put in place to manage this threat?

Yes. Big well established construction companies are able to bid with lower prices as they can benefit from purchasing in bulk and negotiate better prices. There are no strategies in place to address this threat.

4.15 Case B - SWOT Analysis

Does the organisation use the SWOT analysis to assess its strengths, weaknesses, opportunities and threats?

If the organisation does not use SWOT, what analysis method is used?

The company does not perform a SWOT analysis. There is no formal process in place to perform any such analysis on/for the company.

4.16 Chapter Summary

The chapter contained detailed outcomes of interviews that were conducted with two different subjects, i.e. black owned construction companies. The brief backgrounds of the subjects were outlined, where biographical data as well as general information about the organisations was collected. The interviewees were asked about their B-BBEE status, CIDB status and whether or not they participated in contractor development programmes. It was found that one of the companies was once in a contractor development programme and the details thereof were discussed.

The main focus of the interviews was to understand how the organisation was managing in terms of developing strategies, understanding their own environment, their forces that competition brings upon the industry and the individual companies. Furthermore, the interview focused on whether or not the companies do conduct and analysis of their own strengths, weaknesses, opportunities and threats. This was conducted in order to also determine if the companies have safeguards in place to address any potential threats that their external environment, their competitors and their own internal shortcomings would pose.

CHAPTER 5

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

The previous chapter contained a detailed report on the multiple case study in-depth interviews that were conducted. A brief background of the cases selected was given and factors that were pertinent to each organisation's functioning were also discussed. A focus on strategy formulation, analysis of the external environment, competitors and the individual company's strengths, weaknesses, opportunities and threats is included in the chapter.

This chapter includes a summary and reflection on the findings that were determined from the previous chapter. The necessary recommendations are made with the objective that they are to address these findings. Included in this chapter, is a reflection on the limitations encountered when this study was conducted. In order to add to the body of knowledge that currently exists on the topic, a suggestion is made regarding what future research needs to include or focus on. This chapter ends with a summary of the whole study as well as a conclusion.

5.2 Reflective Summary - Biographical Data of Interviewees

The subjects chosen for this research study are two black owned construction companies (i.e. Case A and Case B). These companies are based in East London in the Eastern Cape Province, with the other (Case B) having another footprint in the Gauteng Province. Both these companies are owned and/or managed by persons whose highest educational level is matric. However, these owner/managers have extensive experience in the construction industry which stems from being in the industry for over a decade. Both these companies are owned/managed by people who are self-taught on the technicalities involved in the construction business and in running a business.

5.3 Reflective summary - About the Organisations

These construction companies have been in operation for more than a decade and their core business is construction. Case A mainly operates only in the Eastern Cape while Case B operates on two provinces, the Eastern Cape and the Gauteng Province. Case A is managed by the owner and Case B has an owner that is separate from its managers. However, the owner is also directly involved in the business and fulfills the role of managing the administrative matters of the Eastern Cape office.

Both these companies enjoy a level one B-BBEE status. They are both 100 % black owned, and Case B is 100% female and youth owned. These companies meet the requirement of being classified as small businesses as defined in the National Business Act as they have fifty (50) employees and less. Their turnover differs significantly as Case B has income streams from the Eastern Cape and Gauteng office and from the Plant hire business, whereas Case A solely generates its revenue from construction projects undertaken in mostly Eastern Cape.

5.4 Reflective Summary - CIDB Status and Entity Development

The CIDB has recognised both companies as potentially emerging, hence they have potentially emerging status. Case A is qualified to undertake general building works, civil engineering works as well as fencing works. Case B only undertakes general building and civil engineering works.

Based on the literature review in Chapter 2 of this study, as part of government's efforts to transform the industry, the CIDB is mandated with ensuring that the construction industry is regulated so that it can be transformed and further developed. Contractor development programmes were developed to support and develop construction companies from previously disadvantaged groups. It was determined that Case A was never involved in any contractor development programme and its establishment, development and operation has always been through the efforts of the owner, who is also the manager.

Case B was a beneficiary of a contractor development programme. The company was in this programme for five years, where the company was exposed to the basic theory and practical aspects of construction. It was through this programme that a foundation for Case B was laid. Throughout the five year period the company had continuous support through mentoring and allocation of work from the projects ring-fenced for the contractor development programme. There is no support or monitoring offered after companies complete the contractor development programme. This seems to be a challenge that the programme did not take into account and address accordingly.

5.5 Reflective - Strategy Formulation

Strategy formulation is important for the success of an organisation as it provides a framework of how and what the entity needs to achieve its set goals and it plays a fundamental role in the success of an entity. Strategy formulation appeared to be lacking or weak in both companies.

Case A does not have a vision nor a mission statement. The reason for the lack of strategy formulation in Case A, is that the owner/manager did not know about strategy formulation as he did not have any such leadership or business management education. The company therefore lacks the necessary skills required to formulate and implement its strategy. Furthermore, this also indicates that the organisation does not have a clear plan in terms of where it is seen to be in the future as there is no strategic planning and no documented strategic objectives in that regard.

Case B on the other hand, has been observed to be aware of and have some kind of strategy formulation in place. The company has a vision and a mission statement as well as strategic objectives and the interviewee demonstrated that there is basic understanding of strategy formulation and the reason for it. It was however determined that although there is an awareness of a need for a strategic plan, there was no formally documented strategic plan from which the strategic objectives were developed.

The SMART criteria was not taken into account by both companies when developing their strategic objectives. The companies will find it difficult to measure their progress or success in achieving their objectives and this will affect the productivity or future growth prospects of the organisation. For example, some of these objectives are not time bound. The risk then is that the organisation will not be able to fully determine if progress is delayed or it will realistically still be achieved, as the time frames by which the objectives need to be achieved is infinite.

5.6 Reflective Summary - Specific Strategies

The companies demonstrated an understanding of specific strategies, although these may have not necessarily been formalised and documented. There were some strengths and weaknesses that were identified in the different specific strategies.

5.6.1 Corporate/Growth Strategy

The only growth strategy that Case A makes use of is subcontracting, where by the company plays the role of being the main contractor and outsources certain parts of the projects to other companies. The company has not explored the potential benefits of being a subcontractor, a joint venture partner or being in consortia. This would have allowed the company to assess the benefits of such strategies against its potential disadvantages. Case A has no diversification nor vertical integration in place.

Case B on the other hand, also makes use of subcontracting through being either the main contractor or being the subcontractor. Furthermore, the company enters into joint venture arrangements and turnkey projects, after assessing that these will be beneficial to the company. The company has strengthened its growth prospects through diversification and vertical integration by offering plant hire services, in addition to construction which is its core business.

5.6.2 Human Resource Strategy

There is no formal human resource strategy in place for both companies and there is no human resource planning that takes place and recruitment takes place as and when the need arises. Case A only recruits through word of mouth referrals which means they do not have a wider pool from which they can choose their very best and most suitable employees. Case B applies various methods in its recruitment efforts by using different media platforms and occasionally use word of mouth referrals. The benefit of this is that it increases the chances of the company in employing the best and most suitable employees who have the right skills and relevant experience.

The continuous professional or skills development of employees is not still an area of concern, particularly in for Case A. Training and development of employees requires a financial investment and the availability of such funds is still a challenge for the company. Both companies do take advantage of the mandatory provisional training linked to projects that they undertake, as funds spent on these are recouped from the client as part of project costs.

The performance management tool is generic and is not linked to each individual employees performance which should be based on individualised performance contracts. The companies link rewards to performance and generally use the time to complete the projects and the works certified as an indicator of performance. Both companies only offer financial rewards through paying salaries/wages and performance bonuses. These companies offer no non-financial rewards to their employees.

5.6.3 Marketing Strategy

Quality and delivering projects on time is a value or a reputational promise that is shared by both companies. This is an indication that both companies are aware of what clients value most and what could determine the success or the failure of their companies.

These companies do not have formal marketing strategies and this is not prioritised simply because these companies focus on the government being their sole or major client. They do not undertake any marketing campaigns to promote their offerings as

their way of obtaining business is through the bidding process of responding to publicly advertised government tenders. Both companies also rely on the ratings they receive on references from projects that previously completed, as a way of marketing their services.

These companies maintain their competitive advantage by ensuring that they offer products of good quality and completing these projects on time. Competitive advantage is also enjoyed through ensuring that there are no interruptions on site even if there are delays in receiving payments from the clients. Case B further secures its competitive advantage through owning its plant and equipment as this allows them to have more competitive pricing when bidding for projects.

5.6.4 Financial Strategy

Financial measurement is performed by both companies through the preparation of annual financial statements and projected cash flow statements per project. Case B also prepares monthly management accounts. The concern with Case A is that overall financial performance is only assessed once per year through the preparation of financial statements. Financial statements tell a story of what has happened and what the financial position of the entity is at a particular point in time. The company needs a more regular financial performance management tool that would enable them to foresee some challenges before they occur so that they can make decisions to respond or prevent such challenge from occurring.

The companies both use owner contributed funds as a source of capital, with Case A also making use of borrowed funds from the ECDC. Case B does not make use of supplier credit facilities and pays for materials cash. Another way of sourcing materials is through entering into cession agreements with suppliers, where the suppliers are paid directly by the clients for amounts due to them. Both companies have unpleasant experiences of delays in receiving payments from their clients and exposing them to other challenges such as paying salaries, paying suppliers etc.

5.7 Reflective Summary - External Environment Analysis

Overall, both companies do not do a thorough job of ensuring that they understand all the factors that impact on their environment. This is evident as both these companies do not have adequate strategies in place to address potential threats or safeguard their success.

5.7.1 PESTEL Analysis

PESTEL analysis is a very powerful tool that would have enabled the two subjects to have a better understanding of the external environmental factors that impact on their businesses. Both companies do not perform such an analysis. This therefore puts both companies at a risk of not being aware of what would threaten or give an advantage to the business. This analysis would have enabled them to put mitigation plans in place as well as developing strategies to exploit the opportunities that the external environment presents to the industry, market or businesses. Currently, these companies rely on information received from engagements with industry peers, social media and newspapers. There is no formal process undertaken to analyse the external environment with the purpose of putting strategies in place to respond to factors that have been identified to have a potential of impacting on the business.

5.7.2 Porter's Five Forces Analysis

Threat of new entrants:

The two companies are in agreement that it is not easy for companies to access the industry when they have higher CIDB grades. The competition is stronger and there is a higher financial and skills capacity requirement due to the size and complexity of projects undertaken by companies in this league. There is a threat that arose due to companies from other provinces bidding for projects from the Eastern Cape, thus increasing competition.

The power of suppliers:

There are no building materials suppliers that are dominating the industry. This makes it easy for the companies to change suppliers as and when they deem fit to do so. It is especially easier to change suppliers when acquiring materials on through cash payments. It is a bit more difficult to change suppliers where the availability of credit is an important factor to consider and this leads to companies having a limited ability to exercise negotiation for lower prices. The materials for road construction are source from a sole supplier in the province and that supplier has more power to influence the success or failure of the companies or projects.

The power of customer/clients:

The clients play a critical role through the system of bidding for government work. The companies are forced to reduce their profit margins to be minimal so that the companies can offer more competitive bidding prices. This bidding process therefore gives more power and advantage to the client as the price element of a bid carries significant weighting in awarding projects. Clients also have a significant influence on the success and failure of companies through a non-efficient payment process that results in unreasonable and detrimental delays. Both companies do not have adequate safeguards in place to protect the organisation from the potential effects of these threats.

Threat of substitute products:

There is a threat that arose through the use of prefabricated structures and alternative technology methods (green technology) as these are specialised and are substitutes to the conventional brick and mortar building methods. Both companies do have no put any safeguards in place to protect their businesses from this threat.

Degree of rivalry:

The two companies have no formal way of analysing who their competitors are. The only way of identifying them is through tender briefing sessions or when the bids are

read out in public upon their closure. The companies have no safeguards against this threat.

5.8 Reflective Summary - SWOT Analysis

The two companies do not conduct a SWOT analysis or any analysis similar to that . The benefit of doing the SWOT analysis would be that they would be able to identify their weaknesses and threats and put in place safeguards or action plans to address these. Furthermore, such an analysis would benefit these companies through identifying their strengths and any opportunities that they could exploit for the benefit of and the success of these organisations.

5.9 Recommendation no.1 - CIDB Status and Entity Development

The CIDB has a mandate to regulate the construction industry and to give guidance and support where necessary. On the one hand, construction companies should ensure that they make an effort in using all the necessary support and guidance that the CIDB can offer them. The CIDB can also be used as an important source of information on any developments in the industry. Companies should take advantage of contractor development programmes, as they can help them build more solid foundations in understanding construction and the construction industry requirements. The benefits received by Case B when the company participated in a contractor development programme are evident. Case B is more developed than Case A even though Case A was established four years earlier than case B.

On the other hand, one of the main concerns with the contractor development programmes is that there is no exit plan, post exit monitoring and support programme. The government, CIDB and other role players should consider putting in place a plan or a programme of support and monitoring the progress of these CDP beneficiary companies after completing the contractor development programme. One such example would be the use of tracer studies which are frequently used by several government departments in an attempt to monitor development of SMEs more effectively.

The success rate of contractor development programmes should therefore not only be measured by the number of companies that completed the programme. The measure should be more appropriate and realistic also measuring the number of companies that remained sustainable beyond the completion of the programme and their further development (if any). This will enable the government and all the relevant stakeholders to get a better perspective when assessing the value gained through investing in such contractor development programmes.

5.10 Recommendation no. 2 - Strategy Formulation

It is important that companies have a vision and a mission statement. On a micro level of analysis successful entrepreneurs establish concrete and directed goals. This enables them to have a clarity of purpose and specify what the focus and direction of the business should be. A vision helps an organisation to consider where it wants to be in the future. The communication of these to stakeholders is also very important as it allows for them to understand, appreciate and support the vision and the mission of the company. This might also encourage them to appreciate that they are an integral part of the success of the organisation.

It is in order for a company to realise its vision, there needs to be a clear strategic plan that is developed and strategic objectives that are aligned to that strategic plan need to be developed. Strategic objectives should meet the SMART criteria and there should be a tool that is used to regularly measure the progress or performance of the organisation in meeting those strategic objectives. Training initiatives must therefore take into account strategic management and incorporate goal setting as essential aspects in training curricula.

5.11 Recommendation no. 3 - Specific Strategies

5.11.1 Recommendation no. 3a - Corporate/Growth Strategy

A growth strategy is important as it would assist organisations in remaining successful as well as growing their business. This allows SME's to take responsibility for their own growth and development without being too dependent on other parties

to intervene, for example, like the government through contractor development programmes or the mandatory subcontracting of SMEs. Subcontracting and joint venture partnerships should be considered by as another form of growth as these enable an organisation to part-take in more complex and bigger projects while benefit from the shared responsibility, risk, skills and financial capacity required for such projects. This allows an organisation to gain exposure to projects that the organisation would not ordinarily be individually able or qualify for. Larger companies have more access to skills and financial resources that are required by large and complex projects. The smaller companies can benefit in management and technical skills development through this association. It is however very important that SMEs chose their joint venture partners well. Equally, increasing emphasis must be placed on enterprise development and the mandated responsibility of larger companies to develop emerging SMEs.

Diversification is entering into other related or unrelated types of business. Companies need to consider entering into other businesses as that would help them spread or minimise the amount of risk the owners are exposed to. The other benefit is that this allows the company to have another income stream, that compliments the construction business particularly when there are unfavourable conditions prevalent in the construction industry.

Vertical integration is possessing ownership or control over other businesses within the value chain. This allows the companies to enjoy economies of scale, as this allows them to control or minimise some of their input costs and ultimately impacting on the prices offered to clients. Vertical integration has come with costs, so it is important that these companies consider such costs and if they are in a position to vertically integrate. If they are unable to afford vertical integration, the companies should ensure that they have suppliers that offer them the best quality for the best price.

5.11.2 Recommendation no. 3b - Human Resource Strategy

The development of a proper and adequate human resource strategy is a challenge of the SMEs. This results in the difficulties in the recruitment and retention of the

adequately skilled and experienced human capital. Companies therefore need to develop human resource strategies that are bench marked to the industry norms. Furthermore, performance and rewards need to be aligned. Currently, SMEs offer only financial rewards and the offer of non-financial rewards should also be considered as these can serve as motivation to employees and make them feel more valued and an integral part of the organisation and its success.

There should be professional and personal development of employees through regular training. This will ensure that the organisation also benefits from their skills enhancement. There should be a training plan that should be aligned to the strategic objectives of the organisation. The organisation needs to set aside a budget for training of staff. However, as important as HR practices are in the modern era limited skills are available. Many SMEs are not familiar with compliance aspects such as registration for Skills Development Levy and subsequent access to grants and rebates for training. Section 12H, a regulation monitored and controlled by SARS allows for up to R80000 in tax rebates as a result of companies investing into learnership and artisan programs.

5.11.3 Recommendation no. 3c - Marketing Strategy

The two SMEs have placed their reputations on the promise of delivering quality products and within the agreed time frames in order to ensure the satisfaction of their clients. These companies should ensure that they put processes and systems in place that would ensure that their consistently deliver on the quality and time promise. This would ensure that these companies receive positive referrals when they need to tender for future work. SMEs should minimise the risks associated with doing business with the government (such as delays in payments) by considering doing work with the private sector as well. This will ensure they have balanced their risk profile as well as their client base.

On the other hand, marketing is inextricably linked to brand building and the promotion of goods and services. Social media and digital marketing has become critical elements in the modern era. This applies and is also particularly relevant to SMEs. Virtually every consumer has access to smart phone technology through

which social media advertising and marketing initiatives tend to concentrate. Therefore, the development of new knowledge and equipping entrepreneurs with such information has become critical elements to maintain a competitive advantage.

5.11.4 Recommendation no. 3d - Financial Strategy

A properly developed financial strategy will ensure that the business's strategic objectives are linked to a budget. This will enable the organisation to be able to know how much financial resources are required. A financial plan, which will include a cash-flow projection will also need to be developed and regularly monitored and updated accordingly. These companies need to consider the different available forms of financing and need to find the most optimal mix of own capital and borrowed funds. Financial performance of the organisation should be monitored on a more regular basis. This can be achieved through the preparation of monthly management accounts as well as monthly project cash flow monitoring. The preparation of financial statements should continue to be performed on an annual basis. In future when the companies want to grow, they should consider getting their financial statements audited by adequately qualified and reputable audit firms as this will assist with obtaining funding from financial institutions much easier.

Taking the above into account financial management administration remains very challenging to many SMEs. The development of entrepreneurs must include the introduction of financial literacy programs and basic record keeping practices. Advanced financial management administrative practices include budgeting and cash flow projections. The interpretation and understanding of financial statement information is equally critical for entrepreneurs to monitor business performance. These skills have particular importance in the construction industry as it is required for entrepreneurs to be able to apply costing and financial management principles in tender work.

5.12 Recommendation no. 4 - External Environment analysis

A company that does not know where to start in performing an environmental analysis can use the following steps (PESTEL Analysis, 2015):

- i. Obtaining of an understanding of all the external environmental factors.
- ii. Collection of relevant information.
- iii. Identification of opportunities for the company.
- iv. Identification of threats that the company faces or might potentially be confronted with.
- v. Taking action by developing strategies to exploit the opportunities and to safeguard the company against threats or potential threats identified.

5.12.1 Recommendation no. 4a - PESTEL Analysis

A PESTEL analysis will help an organisation to have a detailed understanding as well as a broad view of the factors outside the control of the organisation but have an influence on the company's success or failure. This analysis will help the companies to take these factors into account in their strategic planning and in development and in their action plans. This analysis should be performed more regularly to enable the company to keep abreast of any external environmental changes so that timeous, relevant and appropriate responses can be developed and implemented. The decision making process becomes more enhanced when such an analysis was performed.

5.12.2 Recommendation no. 4b - Porter's Five Forces Analysis

Companies should appreciate the importance of understanding their competitive environment and their competitors. This will help them to benchmark themselves with their competitors with the aim of being better than their competitors and to respond well against any threats that competition may pose. A basis application of Porter's Five Forces analysis model will help these SMEs to understand the forces that influence competition.

Threat of new entrants:

The government tendering system is open to the public. Companies have a right to submit bids in whichever province they chose. When companies from other

provinces enter into the Eastern Cape through bidding for projects and actually win the awards, this poses a threat to EC companies as this increases competition within their own territory. This threat should be managed by offering the most competitive prices so the EC SMEs can improve their chances of winning these bids.

The power of suppliers:

Suppliers of building materials do not have significant power over the success or failure of the SMEs. However these SMEs should consider the availability of credit facilities from a wider range of suppliers. They should take into account the payment terms, prices, interest charge, the size of the facility, quality of their products, lead time as well as delivery options. There is a single supplier in the province for road construction materials, this threat should be managed by looking at possible suppliers in the other provinces near the Eastern Cape. It is important that if suppliers from outside the province are used, a proper evaluation and comparison of the payment terms, quality, prices, lead time and delivery costs. This will enable the company to assess if it is more advantageous to continue with the single Eastern Cape supplier or change or have a mix.

The power of customer/clients:

SMEs that only depend on government for work will always be at a risk of their organisations being negatively impacted by the inefficiencies of government particularly in relation to payments of amounts due. When deciding to bid for projects, companies must do a proper assessment of the risks associated with the organ of state that is inviting bids. For example a client that is known for not paying service providers on time should rather be avoided, especially for large projects.

Threat of substitute products:

SMEs that specialise only in brick and mortar should ensure that they consider construction using prefabricated materials or using alternative building technology. Information in understanding these should be sought and an assessment of what would be required from the organisation (for example, skills, financial resources etc.) should be performed.

Degree of rivalry:

The SMEs should properly assess who their main competitors are, with the aim of understanding what it is that made them better in winning the awards. They should even go a step further and enquire from the client as to the reasons their bids were unsuccessful. Clients should not have a problem availing such information to the companies, in line with the Promotion of Access to Information Act No. 2 of 2000. This Act gives a constitutional right of access to any information held by the state or by another person, that is required for the exercise or protection of any rights (SAICA, 2016). These reasons should be studied in detail and action plans developed accordingly.

5.13 Recommendation no. 5 - SWOT Analysis

A SWOT analysis should be performed as it will assist the SMEs in their strategic planning. This will help ensure that the companies' strengths are identified as these can be used to gain a competitive advantage over competitors. The identification of opportunities and their exploitation will benefit these SMEs. This analysis will assist SMEs to know and confront their weaknesses by developing an adequate action plan to deal with these weaknesses. Threats will be managed before they can overwhelmingly affect the organisation.

5.14 Limitation(s) of the study

The following limitations were identified during this study:

- The scope of the study only focused on black owned construction companies that have higher CIDB grades and not those that are still at lower grades;
- The study only focused on the construction companies that are still in operation and not those that were negatively impacted to the extent that the businesses completely failed or had to close down or cease from doing construction works;

- Scope of the study - construction companies selected are mainly involved in general building and civil engineering works. The other classes of work, such as electrical engineering works, mechanical engineering works and other specialist work were not covered in the study. This study could not ascertain what challenges are encountered or progress made on industry transformation in that regard. The study did not focus on contractors registered with the NHBRC.

5.15 Recommendations for further Research

Taking into account the limitations identified in the previous section, the following are suggestions for future research:

- A study that will include black owned construction companies with lower CIDB grades. Furthermore including contractors that are registered with the NHBRC would add more to the body of knowledge regarding the industry and any potential threats to black owned construction companies;
- A study that would focus on or include a focus on black owned construction companies that have had to be downgraded by CIDB, closed down the operations or had to change their core business and ceased to be in construction;
- Research that will focus on black owned construction companies that provide specialised construction works such as electrical engineering works, mechanical engineering works, shaft sinking, specialised foundations for building structures, steelworks etc. This will give more insight into whether the industry is transforming in this regard as opposed to general building and civil works which is most common among black contractors.

5.16 Summary and Conclusion of the Study

The main objective of this study was to seek to acquire an in-depth understanding of the South African construction industry, its role and importance and relevant government's industry development and transformation interventions, while paying

particular attention to black owned construction companies. The study was conducted so that the potential threats that might affect the sustainability of emerging black construction companies can be identified. The necessary recommendations were made in order to manage these potential threats.

An overview of this study was covered in Chapter 1, where the primary and secondary objectives of this study were clearly stipulated. A number of research questions that needed to be answered were also explained in the chapter. The secondary objectives served as a guide to how this research was to be undertaken. Literature review was conducted and documented as Chapter two. This review of literature gave insight into the legislative and regulatory requirements pertinent to the construction industry and small businesses. Furthermore, it gave light to the role of the government, the importance of the industry and contractor development programmes as a means to achieving transformation of the industry.

The research methodology adopted by this study was explained in Chapter 3. This chapter included a discussion of the reasons a qualitative study was deemed most appropriate and the use of a multiple case study method. An interview questionnaire was designed and face to face in-depth interviews with the two chosen subjects were conducted so that data could be collected. The detailed results of these interviews were included in Chapter 4. This final chapter, included a summary of the research findings and the necessary recommendations. An indication of the limitations of this study is discussed and recommendations for further research are also included.

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7. Annexure A

Cover Letter

Dear Sir/Madam,

Re: Request for an Interview for Completion of Research Questionnaire

I am a final year MBA student of the Nelson Mandela University. In order for me to complete my degree, it is required that I conduct a multiple case study research on the potential threats to the sustainability of emerging black construction companies. This research will allow me to gain a deeper understanding of such threats so I can draw conclusions and make the necessary recommendations.

The objective of this questionnaire is to obtain views, facts and/or experiences of owners/management of black owned construction companies that fall within the definition of Small and Medium-Sized Enterprise. Attached, please find a copy of the interview questionnaire containing the questions that will be asked during the interview. Please note that the interview is not expected to last more than two hours.

Should you agree to be the subject for this study, it will be appreciated if you can avail yourself for a telephonic/face-to-face interview to be scheduled at a mutually convenient time and venue. Please note that a copy of the results of the study will be availed to you if you request it.

Yours sincerely,

Miss Nolitha Pietersen

8. Annexure B

Interview Schedule

Biographical Data Of Interviewee
Age:
Gender:
Educational Level:
Race:
City/Town of Residence:
Position occupied at the organisation:
Length of period/experience in the construction industry:

A. About the Organisation
What type of a legal entity is the organisation?
What is the core business of the organisation?
How long has the organisation been in operation?
In which geographical area or province does the organisation mainly operate?
Is the organisation managed by the owner or by an appointed manager?
What is the size of the organisation in relation:
➤ Number of permanent employees?
➤ Approximate turnover per annum?
What is the B-BBEE status of your organisation in terms of:
➤ Level contributor ?
➤ Black ownership percentage ?
➤ Women ownership percentage?
➤ Youth ownership percentage ?
➤ Disabled persons percentage % ?

B. CIDB Status and Entity Development

Does the organisation have Potentially Emerging status per the CIDB?

What classes of works (per CIDB definitions) does the organisation undertake?

What is/are the CIDB grade(s) as per the class(es) of works referred to in question (2) above?

Has the organisation ever participated in any Contractor Development/Incubator Programme (CDP/CIP)? If so:

- With which entity was the CDP/CIP undertaken with?
- How long was the CDP/CIP for in years/months?
- How long ago has the organisation completed and exited the CDP/CIP?
- Did the CDP/CIP incorporate mentorship, targeted procurement or any other type of developmental assistance? Please explain.

Is there any post - CDP/CIP support or monitoring by the institution that offered the CDP/CIP to your organisation?

C. Strategy Formulation

Does the organisation have a mission statement? And if so, why is it important to have a mission statement?

Does the organisation have a vision? And if so, why is it important to have a vision?

Does the organisation have strategic objectives? Please give examples

Is the mission and the vision communicated to all the relevant stakeholders?

Does the organisation have formulated strategic plans?

Are the strategic objectives formulated in line with the strategic plan?

Are the strategic objectives in line with the SMART principle, i.e. being Specific, Measurable, Appropriate/Achievable, Realistic, Time-bound ?

What kind of assessment tools does the organisation apply when testing the objective for meeting the SMART criteria?

D. Specific Strategies

Corporate/Growth Strategy:

Which of the following corporate strategies does the organisation apply?

- Sub-contracting, Joint Venture or Consortia arrangements
- Diversification – i.e. entering into other related or unrelated types of business
- Vertical integration – i.e. possessing ownership or control over other businesses within the value chain e.g. Supply of material, plant hire business etc.

How does the chosen corporate strategy contribute to the success of the organisation?

Human Resource Strategy:

How does the organisation recruit its workforce? Skilled and unskilled.

How does the organisation ensure it retains talent?

How does the organisation ensure that its workforce has the relevant skills and capabilities necessary for the organisation to deliver per the client's expectations?
e.g. training

What performance measurement tools does the organisation use to assess the performance of employees?

Are employee rewards linked to performance? If so, how?

Marketing Strategy:

What is the brand or reputational promise of the organisation?

How does the organisation market/promote its products and/or services?

How does the organisation build its competitive advantage?

What process is used by the organisation to decide on which clients to target?

What kind of a client base does the organisation service? e.g. Government, individuals, private sector etc.

How does the organisation ensure that good client/stakeholder relations are maintained to gain customer satisfaction and/or loyalty?

Financial Strategy:

Does the organisation measure its financial performance?

What kind of formal financial performance reports does the organisation prepare?

What is the frequency of preparation of formal financial performance reports? e.g. monthly, quarterly, annually etc.

What kind of a funding model does the organisation apply? e.g. owner contribution and/or loans etc.

Does the organisation make use of the services of the state owned funding institutions?

Does the organisation experience any challenges with working capital or cashflow management due to delays in collection of accounts receivable (debtors)?

What are implications do challenges in (6) above have? Please provide examples.

E. External Environment Analysis**PESTEL Analysis:**

Note: PESTEL analysis is an assessment of how **P**olitical, **E**conomic, **S**ocial, **T**echnological, **E**nvironmental and **L**egal/**L**egislative factors impact on the organisation.

Does the organisation use the PESTEL analysis to assess its external environment?

If the organisation does not use PESTEL, what analysis method is used?

Porter's Five Forces Analysis

Note: This is an analysis of the five (5) forces that influence competition in, or competitiveness or attractiveness of an industry.

The Threat of New entrants:

Is the construction industry (within your geographical area/market space) easily accessible (i.e. low barriers to entry) ?

Do you consider new entrants (e.g. new companies or companies from other geographical area) as to be a threat to the success of the organisation?

If new entrants are not considered a threat, why is that so?

If new entrants are considered a threat:

- What strategies/safeguards have you put in place to minimize or eliminate the threat?
- Are these strategies/safeguards effective? Please explain.

The Power of Suppliers:

Can you easily change suppliers i.e. there is a number of them that you can easily choose to source your supplies from?

What effect or potential impact does the supplier have on the success of the organisation?

What strategies/safeguards have you put in place to manage a threat of suppliers having power over the failure or success of the organisation?

The Power of Customers/Clients:

Do the clients have the power to influence the price you charge for your product or service?

If there is such a threat by the clients, is it significant enough to potentially affect the organisation's chances of failure or success?

What strategies/safeguards have you put in place to manage this threat?

The Threat of substitute products:

Are there substitute products which can substitute the products the organisation offers?

If there are substitute products available, please explain.

What strategies/safeguards have you put in place to manage this threat?

Degree of Rivalry:

Does the organisation analyse who its competitors are?

If so, what makes them competitors?

Does the existence of these competitors pose a threat to the success of the

organisation?

What strategies/safeguards have you put in place to manage this threat?

F. Swot Analysis

Swot Analysis

Note: This is an assessment of the organisation's **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats.

Does the organisation use the SWOT analysis to assess its strengths, weaknesses, opportunities and threats?

If the organisation does not use SWOT, what analysis method is used?

What strategies does the organisation use to manage/address its weaknesses and threats?

What strategies does the organisation use to exploit its strengths and opportunities?

Are these strategies effective?

Similarity Report

The screenshot shows a web browser window with the URL `incoko.mandela.ac.za/mod/turnitintool/view.php?id=16383&do=submissions`. The page header includes the INCOKO logo and navigation links for 'Home', 'MBA Year 2 [2017]', 'MBR5TR', 'Turnitin Assignments', and 'MBA Treatise'. The main heading is 'MBR5TR: Business Research Project'. Below this, there are tabs for 'Summary' (selected) and 'My Submissions'. A 'Refresh Submissions' button is visible. The submission list shows one entry with a similarity score of 10%. Below the table is a form to 'Add Submission' with a 'Submission Title*' field and a file upload area. The Windows taskbar at the bottom shows the date as 15-Jan-18 and the time as 7:22 PM.

Search: Show 10 entries

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Submission	Submitted	Similarity	Grade	Comments
THE SUSTAINABILITY OF EMERGING BLACK CONSTRUCTION COMPANIES: POTENTIAL THREATS Status: Submission successfully uploaded to Turnitin.	15/01/18, 18:51	10%	-/0	(0)

Showing 1 to 1 of 1 entries

Submission Title*

File to Submit

Maximum size for new files: 10MB, maximum attachments: 1

7:22 PM 15-Jan-18



FORM E

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: _____

SCHOOL/DEPARTMENT: BUSINESS SCHOOL _____

I, (surname and initials of supervisor) BAYAT, MS _____

the supervisor for (surname and initials of candidate) PIETERSEN, N _____

(student number) 217062830 _____

a candidate for the degree of MASTER OF BUSINESS ADMINISTRATION _____

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

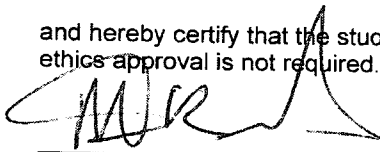
THE SUSTAINABILITY OF EMERGING BLACK CONSTRUCTION COMPANIES:
POTENTIAL THREATS _____

considered the following ethics criteria (*please tick the appropriate block*):

	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		✓
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		✓
2.1 Are subjects/participants/respondents of your study:		
(a) Children under the age of 18?		✓
(b) NMMU staff?		✓
(c) NMMU students?		✓
(d) The elderly/persons over the age of 60?		✓
(e) A sample from an institution (e.g. hospital/school)?		✓
(f) Handicapped (e.g. mentally or physically)?		✓
3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an		✓

organisation that is established by government to protect vulnerable people)		
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		✓
4. Will the participant's privacy, anonymity or confidentiality be compromised?		✓
4.1 Are you administering a questionnaire/survey that:		✓
(a) Collects sensitive/identifiable data from participants?		✓
(b) Does not guarantee the anonymity of the participant?		✓
(c) Does not guarantee the confidentiality of the participant and the data?		✓
(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		✓
(e) Will create doubt whether sample control measures are in place?		✓
(f) Will be distributed electronically via email (and requesting an email response)?		✓
Note:		
<ul style="list-style-type: none"> If your questionnaire DOES NOT request respondents' identification, is distributed electronically and you request respondents to return it <i>manually</i> (print out and deliver/mail); AND respondent anonymity can be guaranteed, your answer will be NO. If your questionnaire DOES NOT request respondents' identification, is <i>distributed via an email link and works through a web response system</i> (e.g. the university survey system); AND respondent anonymity can be guaranteed, your answer will be NO. 		
Please note that if ANY of the questions above have been answered in the affirmative (YES) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.		

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.



SUPERVISOR(S)


HEAD OF DEPARTMENT

10/11/2017
DATE

6/12/2017
DATE



STUDENT(S)

09-11-2017
DATE

Student(s) contact details (e.g. telephone number and email address):

__ Cell no. is 0712313386__ and email address is nolitha2011@gmail.com__

Please ensure that the research methodology section from the proposal is attached to this form.