

Identifying Challenges of Black-Owned SMMEs in the Sedibeng Region

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ABSTRACT

Since the fall of Apartheid, the South African Government has engaged in a number of transformation programmes to allow the Previously Disadvantaged Individuals to participate in the mainstream economy of the Country. The Government set about transforming the Country from a racially exclusive society into one that allows full participation by all its members. This has been done through the launch of Black Economic Empowerment (BEE) that includes measures such as Employment Equity, skills development and preferential procurement.

The launch of BEE resulted in the explosion, into the mainstream economy, by emerging black-owned Small, Micro and Medium Enterprises (SMMEs). Since then, SMMEs have contributed significantly to the economic growth and employment of a significant number of individuals throughout South Africa. However, emerging black-owned SMMEs have a tendency to fail to develop into sustainable enterprises. In Sedibeng Region, a significant number of these organisations remain unsustainable, their performance unsatisfactory and majority continue to fail. As a consequence, a study was conducted to identify challenges of black-owned SMMEs in Sedibeng Region. The primary objective of the study was to determine ways of improving the business performance and success of emerging black-owned SMMEs in Sedibeng Region.

A literature survey was conducted to acquire information regarding the critical success factors of emerging SMMEs and the contributory factors to their failure. The status quo investigation, in terms of situational analysis of what is taking place in the Region regarding the performance and/or non-performance of SMMEs, was conducted. The sample method used in this research was a random sample and all subsets of the frame were given an equal probability. The instrument used to collect data was through a self-administered questionnaire that was used to interview owners and senior managers of the relevant organisations. In total, 125 questionnaires were distributed with a response of 80%. For statistical data analysis, Microsoft Excel and PH Stat programmes were utilized to get the mean of the sample.

The study concluded that lack of qualified, experienced and skilled personnel has denied the black-owned SMMEs to grow and that the majority do not have marketing and technical skills to enable themselves to expand their client bases. The challenges facing these organisations (black-owned SMMEs) in Sedibeng Region were found to be lack of capital,

difficulty in accessing finance, difficulty in accessing credit facilities, lack of access to work opportunities, delays in payment and lastly lack of resources.

Key terms: SMMEs, Challenges, Sedibeng Region, Black-Owned

1. INTRODUCTION

1.1 Background

Since the fall of Apartheid in 1994, the South African Government has engaged in a number of transformation programmes to allow 'previously disadvantaged groups' (Africans, Coloureds, Indians and Chinese) to participate in the mainstream economy of the country. The South African Government set about transforming South Africa from a racially exclusive society into one that allows full participation by all its members, in all its aspects: social, political and economic (SAMDA, 2003). All industries received attention from the government in terms of transformation.

Black Economic Empowerment (BEE) was launched to redress the inequalities of Apartheid by giving previously disadvantaged groups economic opportunities formerly unavailable to them (GEP, 2006). BEE includes measures such as employment equity, skills development, ownership, management, socioeconomic development, preferential procurement and refers to measures, actions or programmatic steps geared towards enabling the meaningful participation of black people in the economic mainstream (GEP, 2006).

Transformation policies were developed to help create an enabling environment for new entrants into the market. Consequently, the industries experienced an explosion of new entrants into the markets. These emerging organisations encountered a multitude of problems due to their limited knowledge base, resulting in low performance, low quality products and uncompetitiveness (Hauptfleisch, 2001).

To contribute to the solution of the above mentioned problem, mentorship was proposed as a possible solution for this deficiency in the industry (Hauptfleisch, 2001). One of the problems encountered with these emerging organisations was that their ability to manage sustainable enterprises was lacking, especially amongst those owners and managers who had not progressed through institutional education and training courses, but through unstructured on site experience.

As a consequence of this lack of (formal training), a significant number of emerging small and medium black-owned companies fail. Therefore, ways need to be sought to enable emerging companies to become fully entrenched into the organised industries and empower them to build sustainable organizations.

1.2 Problem statement

Small, Micro and Medium Enterprises (SMMEs) contribute significantly to the economic growth and employment of a significant number of individuals throughout South Africa. It has been estimated that in 1995 small and medium companies contributed 32.7% to the total Gross Domestic Product (GDP) of the Country (NEPA, 1997). Their contribution to formal employment was valued at 44.8% (NEPA, 1997). In 2003, the jobs provided by SMMEs in South Africa had increased to 55% even though they had only contributed 22% to the GDP (Kauffmann, 2005).

A survey undertaken in the Congo, indicates that 80% of firms operating in that country have fewer than five workers, although there are 2,100 firms in the formal and 10,000 in the informal sectors of its economy (Kauffmann, 2005). It can, therefore, be concluded there that the majority of firms are small, micro and/or medium enterprises and, therefore, can be regarded as SMMEs. Kauffmann (2005) further reports that in another survey that included 666 SMMEs in Benin in 1997, it was found that half the businesses were in commerce and the rest were mostly construction companies, pharmacies or restaurants. Only 17% of these SMMEs were found to be operating in the manufacturing industry. In Kenya, SMMEs employed some 3.2 million people in 2003 and accounted for 18% the GDP (Kauffmann, 2005). Furthermore, Kauffmann (2005) reports that SMMEs in Senegal contribute 20% to its GDP while Nigerian SMMEs account for approximately 95% of formal manufacturing activity and 70 per cent of industrial jobs in that country. Lastly, in Morocco, 93% of all industrial firms are SMMEs and account for 38% of production, 33% of investment, 30% of exports and 46% of all jobs, according to Kauffmann (2005).

According to the European Commission (2010), in Europe, more than 99% of all businesses are SMMEs. These SMMEs provide two out of three of the private sector jobs and contribute to more than half of the total value-added income created by businesses in the European Union (EU). Moreover, SMMEs are the true back-bone of the European economy, being primarily responsible for wealth and economic growth. The European Commission (2010) further reports that nine out of ten SMMEs in Europe are micro enterprises with less than 10 employees. Hence, these micro firms are the mainstay of Europe's economy, with each of them providing work for two persons, on average.

In the United States 99.7% of all employers are SMMEs (Basefsky & Sweeney, 2005). They further reported that SMMEs employ half of all private sector employees, pay more than 45%

of private payroll, generate 60 to 80% of net new jobs annually over the last decade, create more than 50% of non-farm private gross domestic product (GDP), supply more than 23% of the total value of federal prime contracts in 2005, produce 13 to 14 times more patents per employee than large patenting firms, employ 41% of high tech workers (such as scientists, engineers, and computer workers), are 53% home-based and 3% franchises and make up 97% of all identified exporters and produce 28.6% of the known export value 2004.

In South Africa, all industries have contributed positively to the economy since the demise of Apartheid in 1994). In fact, there has been an explosion in the number of emerging black-owned small, micro and medium enterprises since the economic transformation programmes were introduced by the Government. The Government's goal was to facilitate increased SMMEs' participation in mainstream economy and encourage them to contribute to the economic growth, and development and employment of people.

In order to further this goal, the Government has developed a number of schemes and development agencies to assist emerging small, micro and medium enterprises. The main aims of these agencies are to provide such companies with access to business development services that will assist them to improve their core competencies, upgrade their managerial capabilities and restructure their processes to become more competitive (GEP, 2006). In addition, they also aim to fast track existing emerging black-owned SMMEs that exhibit good potential for growth into the mainstream economy, (to grow emerging black-owned SMMEs ? Is this different from the previous group?) by fostering linkages between them and corporate and public sector enterprises, to complement current affirmative procurement and outsourcing initiatives of corporate and public sector enterprises and to enhance the capacity of 'grant recipient' enterprises to successfully compete for corporate and public sector tenders and outsourcing opportunities.

Despite the efforts of both the South African Government and development agencies, emerging black-owned SMMEs have a tendency to fail to develop into sustainable enterprises. In the Sedibeng Region, a significant number of these organisations remain unsustainable, their performance unsatisfactory and, consequently, the majority fail. The latter statement is based on three main factors, namely: a) the fact that a significant number of these companies are transitory (the business is established and quickly closes), b) the fact that the clients of these companies (particularly municipalities) terminate the majority of their contracts for alleged non-performance and lastly, c) the poor quality workmanship of the end products.

These three factors, have been identified through the researcher's personal observation of the behaviour of SMMEs in the Sedibeng Region, especially those operating in the 'built-environment' industry in the Region. The researcher's observations expressed in the previous paragraph are also shared by the majority of SMMEs clients and have been confirmed through clients' perceptions based upon their experience with these type of companies and, lastly, by the end users (communities) due to their dissatisfaction with the workmanship and services provided by these companies.

This type of study has not been undertaken before in the context of the Sedibeng Region, but has been completed in other areas. Based on the perceived severity of the problem relating to the poor performance of SMMEs in South Africa, and its impact on the local economy, it is imperative that a study be undertaken (1) to determine factors contributing to these failures (including owners and managers' perceptions), (2) to identify required corrective measures (including ones recommended by owners and managers), (3) to compare these measures to existing critical success factors, (4) to identify 'gaps' to be filled in an attempt to assist the managers and owners of these SMMEs to effectively manage their companies in order to make them successful and sustainable.

1.3 Research Objectives

1.3.1 Primary objective

The primary objective of this study is to determine ways of improving the business performance and success of emerging black-owned SMMEs in Sedibeng Region.

1.3.2 Secondary objectives

Secondary objectives were;

- To identify perceived contributory factors of failure according to the owners and managers of the emerging black-owned SMMEs in the Sedibeng Region.
- To identify perceived required corrective measures to address those failure factors according to the owners and managers of the emerging black-owned SMMEs in the said Region.
- To identify real contributory factors to the failure of emerging black-owned SMMEs in the said Region.

- Use existing critical success factors to identify gaps that lead emerging black-owned SMMEs to failure in the said Region.
- From the gaps identified, develop appropriate ways of improving the success and performance of emerging black-owned SMMEs in the said Region.
- Recommend the developed improvement factors as corrective measures to the affected companies for implementation to improve the performance and success of their establishments.

1.4 Scope of the study

The study was conducted in Sedibeng Region as shown on Figure 1.3. Sedibeng Region is located within the Gauteng Province as shown on Figure 1.2. Gauteng is one of the nine provinces of South Africa and is situated in the heart of the Highveld as shown on Figure 1.1. It is the smallest of all provinces in South Africa, with only 1.4% of the land area, but is highly urbanized, containing the cities of Johannesburg and Pretoria.

Sedibeng Region is situated in the south eastern part of Gauteng. This Region is home to the renowned Sharpeville Township where Nelson Mandela signed the South African Constitution in 1996. Sedibeng offers a vast cultural heritage with significant historical sites as well as a variety of outdoor attractions and leisure activities. There are four main towns of Sedibeng, namely Heidelberg, Meyerton, Vanderbijlpark and Vereeniging.



Figure 1.1: Location of Gauteng Province in South Africa



Figure 1.2: Location of Sedibeng in Gauteng **Figure 1.3:** Regional Map of the Study Area

Sedibeng is one of the five regions that make up Gauteng Province and one of the low economic activity regions (GEP, 2006). For decades the region relied on the large industrial organisations such as Mittal Steel and Sasol to provide income to most of the population within the community.

The unemployment rate in Sedibeng is very high and, therefore, impacts on the buying power of the consumer which tends to be very much less than in the other four regions. There are quite a number of challenges existing in the Sedibeng Region. Most of the SMMEs were established as survivalist operations and not necessarily to satisfy entrepreneurial needs. This created a challenge of the lack of basic business skills plus financial and working capital to grow the businesses.

There are four municipalities in the Sedibeng Region, namely Sedibeng District Municipality and three local municipalities of Emfuleni, Midvaal and Lesedi as shown on Figure 1.4. The economy of Sedibeng District Municipality is dominated by manufacturing, which contributed 32.4% to the local economy during 2001 and the steel industry (SDM, 2010).

Sedibeng Region contributes 2.3% to the national product and constitutes the 9th largest local economy in South Africa (SDM, 2010). While Gauteng plays a critical role in the South African economy with 39% of the GDP, Sedibeng forms only 6% of the provincial economy (SDM, 2007).



Figure 1.4: Local Municipality Jurisdictions in the Sedibeng Region

For emerging black-owned SMMEs in Sedibeng, business opportunities mean taking advantage of municipal infrastructure development projects. Most of these companies tender for the construction of development projects that are released through tender processes by clients, namely the Emfuleni, Midvaal, Lesedi and Sedibeng Municipalities.

1.5 Justification of the Study

Previous studies have indicated that there are a significant number of challenges and obstacles that emerging black-owned SMMEs continue to face. Those challenges include the following; i) Lack of skills (entrepreneurial, business, contractual, technical and managerial), ii) Access to finance and credit facilities, iii) Poor record keeping, iv) Lack of training, v) Late payments for work done and vi) Lack of resources.

Success of any business depends on competent skills, availability of resources, proper planning, effective communication and effective management. In fact, critical success factors to the small and medium contractors have been identified by previous studies. Thwala and Phaladi (2009) considers business skills, management skills, access to capital, good record keeping, well managed cash flow and separation of business activities and family obligations as reasons for the success of the small and medium sized contractors.

The survival of a small, micro and medium enterprise depends on the comprehension of the requirements, accuracy in estimations, planning, purchasing, organizing, management of contractual activities, understanding the history of the industries within which they operate and flexibility towards a changing business environment (Miller, 1962). Young & Hall (1991) have indicated that the ability to manage the project and its finances are critical success factors. The ability to create a client base and the maintenance of relationships with clients, suppliers and other business partners are both critical success factors.

Identification of challenges experienced by emerging black-owned SMMEs in the Sedibeng Region and their comparison to critical success factors in order to identify gaps in the current management of businesses is, therefore, crucial. In addition, these two factors would contribute towards the development of ways of improving the success and, as a consequence, the performance of emerging black-owned SMMEs in the Region.

1.6 Limitations of the study

The scope of this study only focused on emerging black-owned SMMEs that are located and operated within the Sedibeng Region. Due to time limitations, the research could only be conducted in the Sedibeng Region and, therefore, did not cover other four regions of Gauteng Province and even other provinces. Furthermore, the study was conducted using a sample of only 100 companies. It is also important to note that there is a lack of theoretical literature relating to this study as there had not been a similar study conducted in the Region Sedibeng before. The other potential weakness is that, the respondent(s) could supply false information to either take away attention or 'paint a rosy picture', especially in those cases where the interview was conducted live as opposed to completing the questionnaire forms.

1.7 Layout of the study

Chapter One introduces the research topic. It also entails the objectives of the mini-dissertations, problems encountered in gathering and analysing data and limitations in terms of the extent of the scope of the study.

Chapter two gives an overview of the current situation regarding the involvement of emerging black-owned small, micro and medium enterprises in the Sedibeng Region. It also contains a literature review of similar surveys undertaken within the Sedibeng Region in particular and the South African context in general.

Chapter Three gives the methodology, both theoretically and practically, that have been followed in gathering and analysing data.

Chapter Four contains the analysis and discussion of the results. It also states various ways of enhancing the performance and success of emerging black-owned small, micro and medium enterprises in the Sedibeng Region.

Chapter Five concludes and recommends on the findings of the study. It shows the identified methods required for the successful and effective management of businesses and also recommends solutions needed to enhance the management of the emerging black-owned small, micro and medium enterprises in the Sedibeng Region.

2. LITERATURE REVIEW

A literature survey was conducted to acquire information regarding the critical success factors of emerging small, micro and medium enterprises. The status quo investigation, in terms of situational analysis of the circumstances Sedibeng Region regarding the performance and/or non-performance of SMMEs, was conducted. Documents and reports available on, and related to, the subject were reviewed. Such documents and reports were acquired from various sources including libraries, the internet, municipalities, journals and books.

2.1 The Small, Micro and Medium Enterprises Situation the World Over

2.1.1 International Experience with Regard to Small, Micro and Medium Enterprises

International Labour Organisation (2001) reports that there is a global general agreement that emerging small, micro and medium enterprises contribute significantly to economic development and growth. However, Croswell and McCutcheon (2001), argued that small, micro and medium enterprises can be economically useful if projects are designed to suit their capacity. Edmond and Miles (1994) reports that the growth of a country is linked to an increase in productivity of SMMEs in the industrial markets, particularly in developing countries.

Bangladesh, Singapore and Malaysia have grappled with similar situations as far back as the post Second World War reconstruction period (Mvubi & Thwala, 2007). These countries in different ways have a longer history and applied experience with regard to the development of a small business strategy. Mvubi and Thwala (2007) reports that the three countries add a different perspective about 'international best practice' that suggests that a strong institutional framework displays the following characteristics: a combination of financial and non-financial services delivered by separate institutions in close co-operation as part of a national strategy, targeted finance programmes, namely broad based, industry based and sector based schemes with focused assistance, such as machinery, factory premises, raw materials, training programmes and technology, a detailed and comprehensive 'economic umbrella plan' with targets, which include an overall vision and the inputs to be invested with clear detailed outputs within particular time frames, avoidance of ad hoc and disconnected programmes.

2.1.2 African Experience with Regard to Small, Micro and Medium Enterprises

Industries in many developing countries worldwide are comprised of many stakeholders, procurement systems, management philosophies, techniques and tools that play significant roles in the development of infrastructure for these countries (Dlungwana & Rwelami, 2002). small, micro and medium enterprises comprise a significant component of the economy in developing countries and contribute to employment creation.

According to Ofori (1991), while there are many challenges faced by SMMEs throughout the world, organisations in developing countries have additional problems to those experienced by their counterparts in the developed countries.

Business conditions in Tanzania do not favour the participation of emerging small and medium-sized organisations, reports Chilipunde (2010). Local enterprises are usually not paid the same rate as foreign enterprises and there is little support from these foreign enterprises in developing local enterprise capacity. The situation is reported to have been aggravated by limited access to dependable equipment and working capital. The Tanzanian government has thus far been unable to provide a sustainable environment of continuous work flow for the emerging small and medium-sized organisations. Deficiencies in managing contracts has been reported by Chilipunde (2010) as being due to lack of technical skills, lack of experience, poor construction practices, poor equipment and poor project management.

In Swaziland, there is a general consensus that small enterprises are the mainstay of economic growth and prosperity (Mvubi & Thwala, 2007). However, SMMEs there continue to face challenges. Lack of access to credit facilities has been identified to be the major failure factor of emerging enterprises (Mvubi & Thwala, 2007). The industrial environment in Swaziland is not favourable for the success of small and medium size enterprises due to lack of access to work opportunities (Mvubi & Thwala, 2007). This lack of access is due to lack of resources, an inability to provide securities, raise insurance and obtain professional indemnity. Mvubi and Thwala (2007) have also found inadequacy in technical and managerial skills required in project implementation, lack of continuity in relation to type, scale and location of work, plus an inadequate approach and insufficient knowledge, time and experience required for the whole process of finding work, and, once work is found, insufficient understanding of the contract documentation and the preparation and submission of tenders, as well as slow and non-payment by government after completing a government

project, to be other challenges the emerging small, micro and medium enterprises are facing.

Chilipunde (2010) reported that the industries in Malawi have been dogged by many problems including mismanagement, skills shortage, corruption, lack of technology, inflexible credit terms, late payments to contractors and difficulties in accessing finance. In addition dissatisfied clients have been complaining about the under-performance and shoddy workmanship, especially that of the emerging small, micro and medium enterprises. Kapulula (2008) argued that there are many barriers to the development and growth of emerging small, micro and medium enterprises that include environmental regulations, inadequate infrastructure, business regulations, tax and labour regulations, skills shortage, corruption, political interference, choice of technology, lack of collateral and keen competition for limited opportunities and the unsteady supply of work in Malawi.

Zambian enterprises have found it difficult to take advantage of economic opportunities due to highly controversial participation schemes which do not favour local small, micro and medium-sized organisations (Mashamba, 2001). The market share of Zambian enterprises in the public sector industries is a mere 17 percent; the rest is in the hands of foreign enterprises (Mashamba, 2001). It is believed that, as with other similar African countries, the Zambian government has played no role in attempting to assist its emerging enterprises to participate in the mainstream economy.

Chilipunde (2010) reported that Kayanula and Quartey (2000) found that in Ghana there are a variety of barriers and constraints facing emerging small, micro and medium enterprises. They argued that these barriers and constraints include lack of access to appropriate technology, the existence of entrepreneurial oppressive laws, regulations and rules that impede the development of the sector, weak institutional capacity and lack of management skills and training. Other general challenges included prevalence of corruption and bribery, tender collusion, high cost of tendering and ability to secure Guarantees or sureties.

2.2 The Small, Micro and Medium Enterprise Situation in South Africa

2.2.1 The Explosion of the Black-Owned Small, Micro and Medium Enterprises

It is difficult to say exactly when the explosion of black-owned SMMEs took place in South Africa but it is believed to have started some time after the demise of Apartheid in 1994. Since that time, the South African Government has engaged in a number of transformation

programmes to allow the Previously Disadvantaged Individuals (PDIs) (Africans, Coloureds, Indians, Chinese, Women and Youth) to participate in the mainstream economy of the Country. The Government set about transforming the Country from a racially exclusive society into one that allows full participation by all its members in all its aspects: social, political and economic (SAMDA, 2003).

The participation of the Previously Disadvantaged Individuals (PDIs) in the mainstream economy was ensured through two main programmes, namely a) Broad-Based Black Economic Empowerment (BBBEE) Act of 2003 and b) the Preferential Procurement Policy Framework (PPPF) Act of 2000.

The Broad-Based Black Economic Empowerment Act was established as a legal framework to empower PDIs. The main aim of this framework is to implement economic transformation in order to enable a meaningful participation of black people in the economy. It was also developed to foster growth of emerging black-owned small, micro and medium enterprises through mentoring and development.

Preferential Procurement Policy Framework, on the otherhand, was developed to regulate the awarding of Government contracts through the use of a points system, depending upon ownership of a stake by PDIs in an organisation. It is in this framework where access to Governmental contracts was prioritised for PDIs, as a measure to redress the imbalances of the Apartheid era.

As a consequence of the two programmes, the existing larger industries experienced an explosion in the emergence of black-owned small, micro and medium enterprises interested in participating in the main stream economy.

2.2.2 Challenges Faced by Black Owned Small, Micro and Medium Enterprises

Small, Micro and Medium Enterprises are facing increased competition due to the long-term real decline in demand. Their response to this problem has been through the shedding of labour while the larger organisations have responded by moving into the international markets (Thwala & Phaladi, 2009). Thwala and Phaladi (2009) have also identified the lack of effective management, especially during the early stages of the emerging enterprises, as a major cause of business failure.

According to Ofori (1991), the conditions in developing countries present additional challenges which include, among others, the lack of resources for providing training to emerging enterprises, poor procurement systems, the lack of management capacity and resources.

Poor record keeping has also been identified as another reason for start-up business failure (Thwala & Phaladi, 2009). This inefficiency is apparently due to the low priority attached by new and fresh entrepreneurs to their businesses but also due to the lack of basic business management skills.

The possible lack of success facing SMMEs in South Africa is also due to inadequate financial resources, fronting for established organisations, their inability to acquire credit from suppliers and to employ competent workers, poor pricing, tendering and mentoring, as well as a lack of entrepreneurial skills, proper training, technical skills, financial skills and late payments for the workdone (Thwala & Phaladi, 2009). Martin and Root (2009) concurs with Thwala & Phaladi (2009) on the latter factors.

Material suppliers are reluctant to give credit facilities to emerging enterprises which, in turn, limits their capacity to source material resources. The suppliers require cash 'upfront' when dealing with emerging enterprises (Mvubi & Thwala, 2007). The reluctance of suppliers in terms of their relationships with emerging enterprises has been reported to be due to the following risk factors (Mvubi & Thwala, 2007): a) history of emerging enterprises' failure to complete projects, b) systematic payment processing delays and lastly c) the potential for material losses due to theft, lack of appropriate storage and mismanagement by emerging enterprises.

Underinvestment in human capital, which has resulted in a labour force with a skewed distribution of craft skills, career opportunities and work-place experience has also been identified a contributory factor to failure of SMMEs in South Africa (Thwala & Phaladi, 2009).

Ncwadi and Dangalazana (2005) reported that serious challenges facing emerging enterprises in their endeavour to deliver effectively include a steep decline in gross domestic fixed investment, slow delivery due to poor capacity, low productivity, poor quality workmanship and low profit margins for enterprises. Small local enterprises, in particular, are furthermore subject to volatilities due to the geographic distribution of work and the peak workloads that characterize projects, which has further reduced their ability to build capacity (Phaladi & Thwala, 2007).

Lack of access to finance has also had a negative impact on the development and growth of SMMEs (Phaladi & Thwala, 2007). Martin & Root (2009) also confirmed that lack of access to finance was one of challenges that face SMMEs. Gounden (2000) reports that there are difficulties in terms of discrimination by financial institutions against emerging SMMEs. Mvubi and Thwala (2007) further highlighted that the lack of access to finance both during the early stages of the business which disqualifies emerging enterprises from meeting guarantee and performance bond requirements, and during the running of the business which leads to cash-flow problems, incomplete work and even liquidation, are financial constraints facing emerging enterprises.

Phaladi and Thwala (2007) report that the challenges faced by the emerging enterprises include the co-ordination and management of the many facets of the different programmes, maintaining focus on sustainability against pressures to rollout too rapidly, reaching target market without information about the opportunity, sourcing mentors with the requisite skills and experience.

Martin and Root (2009) reports that there are internal and external factors that contribute to the failure of emerging SMMEs in South Africa. The internal factors include unprofitable tender prices, abuse by large organisations, poor general management, technical difficulties as well as “fronting”. Fronting in a South African context is understood to be a contravention against the purpose of BBBEE (Parliament of South Africa, 2003), in which companies appear to be owned and managed by PDIs, but are essentially managed and owned by white South Africans. The external barriers explored by Martin & Root (2009) include difficulties in securing contracts due to a highly competitive market for smaller contracts and legal barriers.

It has also been reported by Martin and Root (2009) that underlying most of the challenges is the problem of general lack of knowledge, deficiencies in the knowledge of pricing procedures, contractual rights and obligations, management techniques and principles, technology, as well as general law.

2.2.3 Solutions Proposed by Previous Studies

Dlungwana and Rwelami (2002) argued that the participation of emerging enterprises in the mainstream economic activities should be increased through the following; a) increasing of the emerging enterprise share of work opportunities within the public sector, b) stimulation of the economic activity in the most depressed areas, c) promotion of the participation of

women in business, d) encouraging access to business training, finance and tendering information for emerging enterprises, e) strengthening of the organisational capacity of emerging enterprises and f) persuasion of financiers to provide the necessary support to emerging enterprises (Dlungwana & Rwelami, 2002). The other solution as reported by Phaladi & Thwala (2007) is that the ability to select a proper location for a business premise and to carry out detailed market research are very important factors.

Dlungwana & Rwelami (2002) argued that policies should be so developed to promote the participation of SMMEs. That would help advocate the interest of emerging enterprises and, as a consequence, create an environment conducive to the development and promotion of emerging small, micro and medium enterprises.

Financial management, through negotiation for favourable credit purchases from the supplier, sourcing of affordable loans from financial institutions, effective management of cash flow should be emphasised (Phaladi & Thwala, 2007) and (Chilipunde, 2010). Chilipunde (2010) also concluded that there was a need for training in reading skills, writing skills and in financial management and further emphasised that the need for training is immense. Furthermore, owner-managers of small, micro and medium enterprises should have the skill to separate business activities and family obligations and look for alternative sources of income to cater for basic family needs (Phaladi & Thwala, 2007).

2.2.4 The Black-Owned Small, Micro and Medium Enterprises in Sedibeng Region

As indicated in Chapter 1, this type of study has not been undertaken before in the Sedibeng Region. However, there is a general perception that there are challenges facing emerging black-owned SMMEs in this region and that they are assumed to be similar in nature to the ones experienced elsewhere in South Africa. The perceptions, as indicated in Chapter 1, are due the following factors, namely; a) the fact that a significant number of these companies are transitory (once established the business quickly closes), b) the fact that clients of these companies (particularly municipalities) terminate majority of their contracts for alleged non-performance and lastly, c) poor workmanship on end products, as reported by both clients and end users (communities).

2.3 Concluding Remarks

Previous studies have found that that there are a significant number of challenges that SMMEs continue to face. Those challenges include the following: a) lack of skills , b) lack of

access to finance and credit facilities, c) poor record keeping, d) lack of training, e) late and non-payments for work done and, lastly f) lack of resources.

The survival of an SMME depends upon the comprehension of the requirements, accuracy in estimations, planning, purchasing, organizing, management of contractual activities, understanding of the history of the industry and flexibility towards changing business environment.

The ability to manage the project and its finances, the ability to create a client base and to maintain good relationships with clients, suppliers and other business partners are further critical success factors.

3. METHODOLOGY

In order to achieve the overall objective of this study, pertaining to specific objectives, the research methodology comprised of two phases, namely literature review and an empirical study.

3.1 Phase 1: Literature review

Literature survey was conducted to acquire information regarding the success factors of emerging black-owned SMMEs general, and possibly in the Sedibeng Region. Documents and reports available on, and related to, the subject were reviewed. Such documents and reports were acquired from various sources including libraries, the internet, municipalities, journals and books.

The information sought included the performance history of emerging black-owned SMMEs, based on their perceived performance by their clients. The attributes and short comings of such enterprises were also investigated. Historical information was acquired to investigate the emergence of black-owned SMMEs, especially their past and present challenges.

Relevant critical success factors for emerging SMMEs were also identified through the literature review and compared with challenges experienced in order to determine the loop holes and to recommend best management practices that would guarantee success.

3.2 Phase 2: Empirical study

The empirical study consisted of the research design, research participants, measuring instrument, and statistical analysis and are contained below as follows:

3.2.1 Research Design

The research design permitted accurate assessment of the cause and effect relationship between independent and dependent variables. This design defined and explained the research topic in making clear the area of research. It also provided limits and boundaries and indicated the modes and results of the research. There were two types of classification of studies that were considered, namely descriptive and explorative. It should be noted that both studies are not experimental but rather observational. This simply means that instead of manipulating variables one observes them.

In descriptive studies attempts are made to describe a group of individuals in order to document characteristics (Key, 1997). This goal is achieved through the use of questionnaires, interviews or direct observations. Examples of descriptive studies are: a) Normative (establishes norms for specific variables), b) Qualitative (collects data through interviews and observations), c) Case study (follows one variable and observes how it behaves) and d) Case series (follows several variables over a period of time to see how they behave).

Key (1997) reports that explorative studies investigate relationships without manipulating any of the variables. Examples of explorative studies include; a) Case-control (observing similar variables to see if they were exposed to the same environment), b) Prospective cohort (observing scenarios to see if exposure causes similar behavior of variables) and c) Retrospective cohort (i.e. observing scenarios to see if exposure has caused similar behavior).

The relevant form of study from the two classes of studies delineated above was found to be descriptive, because the objectives of this particular research study could only be attained through the conduction of a qualitative design through interviews with the participants. Furthermore, a qualitative test proved to be the most relevant to the research problem and proposed solution. The specific design that was used in this study was, therefore, qualitative design through interviews.

3.2.2 Participants

There are a variety of sampling methods that can be used in any research. Factors influencing the choice between these designs include the nature and quality of the sample frame, availability of information about units on the frame, accuracy requirements, whether a detailed analysis of the sample is expected and operational concerns (Key, 1997).

Therefore, when planning a research project, it is crucial to choose the most relevant sample available, based upon the influencing factors mentioned above. The type of sample used in this research study is a random sample where all subsets of the frame were given an equal probability.

In this study, a total number of 125 questionnaires were distributed but only 100 were returned. Therefore, the study conducted had a sample of 100 emerging black-owned SMMEs located and operating in the Sedibeng Region. Annexure A contains an example of

the questionnaire that was used in this research study. The owners of the companies referred to above, were approached to participate in the research. Where owners were not available, senior managers were approached to assist with data collection. The reason for collecting data from owners and managers was because they are the ones who are assumed to be in control of the company and, therefore, presumably had more insight and knowledge with regard to the dealings of the company.

3.2.3 Measuring Instrument

The instrument used to collect data was a self-administered questionnaire that was developed and sent out to owners and senior managers. The questionnaire had four main sections named Section A, Section B, Section C and Section D. Section A dealt with gathering the demographic information of the organisation, Section B sought to attain information regarding the perceived company performance, according to the business owner(s), Section C sought to acquire information regarding the perceived required actions that needed to be implemented in order to improve the performance of the organisation and, lastly, Section D sought to obtain information regarding the perceived actions clients of black-owned SMMEs needed to take in order to assist in the improvement of the SMMEs' performance, according to the business owner(s).

The information sought in Section A included the owner's full names, gender, age, contact details, qualifications, number of years experience as a manager, as well as the number of years the business has been operating, the company name, the contact details of the business and the current number of contracts (if any) in the Sedibeng Region. Questions that were asked in Sections B, C and D were as follows: 'Are you satisfied with the performance of your organization and, if not, what are the contributory factors to the lack of performance (and/or failure) in your business?' 'In your view, what do you think you should do to improve the performance and ultimately the success of your organization?' and 'In your view, what should your clients' (municipalities) do to help improve the performance and success of your organization?' respectively.

To encourage and protect the respondents, and to comply with ethical requirements, the questionnaire was accompanied by a covering letter which assured the respondents of the confidential treatment of any information they might provide.

The information and contact details of the enterprises involved were acquired from the Vendor, Supplier and Local Economic Development databases of the District Municipality of Sedibeng and the Local Municipalities of Emfuleni, Lesedi and Midvaal.

3.2.4 Statistical Analysis

For statistical data analysis, Microsoft Excel and PH Stat programs were utilized to obtain the mean of the sample. Similarly, perceived failure contributory factors and required corrective measures factors provided by the participants were summarized and the mean determined (namely the average was calculated from “the most” and “the least highlighted” factors received from respondents).

The summarised contributory factors were then compared to the existing critical success factors that had been identified by previous studies, to determine the best possible solutions to counter business failures. Conclusions were then deduced from the exercise and recommendations made.

4. RESULTS ANALYSIS AND DISCUSSIONS

4.1 Demographic Composition

Of the 100 companies who participated in this study, it was found that 85% were owned by males and only 15% by females. Therefore, the SMME industry in the Sedibeng Region is male dominated. Figure 4.1 depicts the gender split in ownership. Ninety nine percent of the companies are owned by Africans and only 1% by Coloureds, as depicted in Figure 4.2.

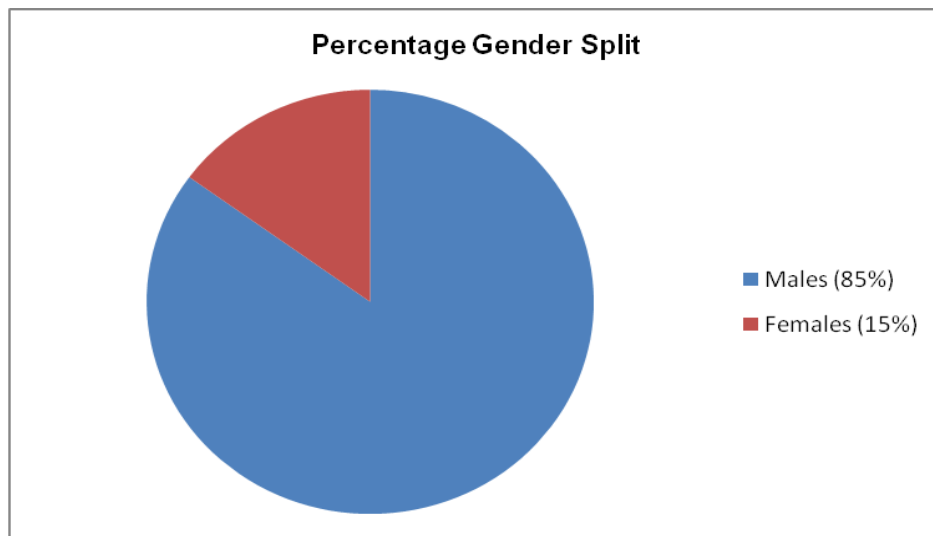


Figure 4.1: Percentage Ownership Gender Split

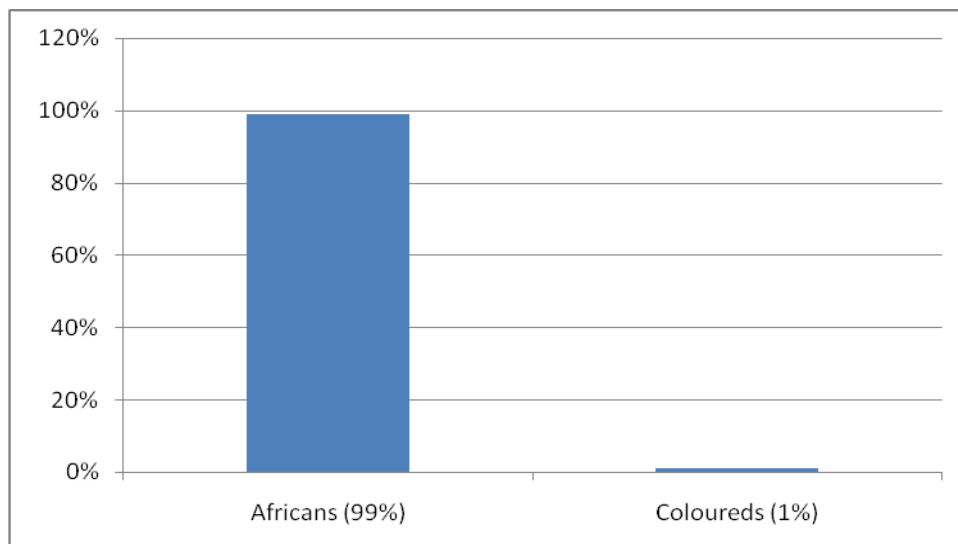


Figure 4.2: Percentage Ownership Based on Race

A hundred percent of the people interviewed were owners and/or share holders of their respective organisations. They indicated that they were not satisfied with the performance of

their organisations, due to various reasons. The age of the people interviewed ranged from 22 to 52 years old. The majority of business (70%) are owned by 'Youth' (persons of up to 35 years of age). 30% of shareholders/owners have a Grade 11 or lower qualification; 40% have a Grade 12 qualification; 20% have a post-matric National Diploma or Certificate and only 10% have a post-graduate degree. Table 4.1 and Figure 4.3 show these results diagrammatically.

Table 4.1: Education Level

GRADE 11	GRADE 12	DIPLOMA AND CERTIFICATE	POST GRADUATE
30%	40%	20%	10%

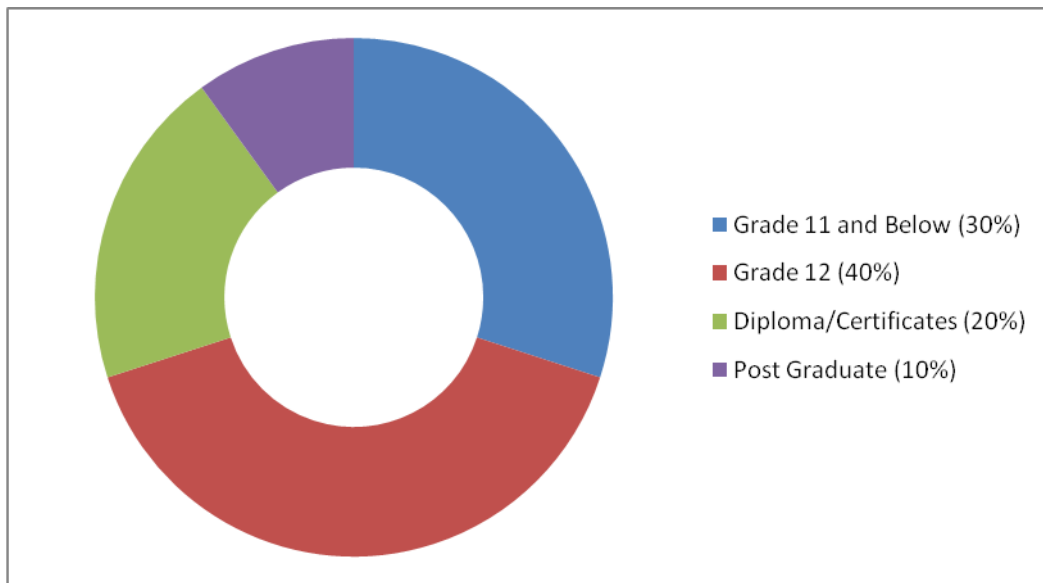


Figure 4.3: Education Level

Ninety percent of businesses have only been in operation for the last five years and the rest have not been in operation beyond the 10 year period. 80% of the managers/owners interviewed had not fulfilled any senior positions prior to the establishment of their businesses. 70% of the businesses were 'one man shows' (they had only one shareholder/owner) and 80% were family businesses. 80% of the establishments (offices) of the businesses were based in the townships in the Sedibeng Region and only 20% had offices in towns (Central Business Districts and Industrial Areas) as depicted in Figure 4.4.

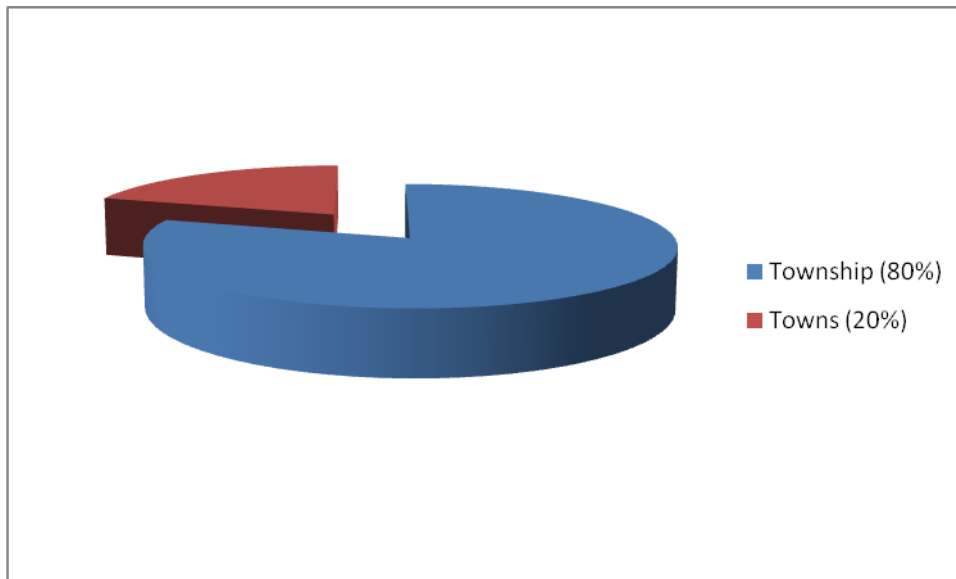


Figure 4.4: Office Establishments

Only 50% of the companies who participated in the interviews employed over 20 employees. Furthermore, the majority of them employ individuals based on the workload of the company at any point in time, consequently, the employees would not necessarily be permanent but rather temporary, depending upon whether there is sufficient work to warrant employment. Some companies even tend to use the students from the local educational institutions, such as the Vaal University of Technology (VUT) and Sedibeng College for Further Education and Training (SCFET), as their temporary staff. This practice results in skill gaps within the organisations.

4.2 Company Performance

Eighty percent of companies have reported a lack of capital to fund their business operations as being a hindrance to the growth of their organisations. Difficulty in accessing finance, especially from financial institutions, was identified by 85% of the interviewees as a contributory factor in the poor performance of their organisations. The interviewees indicated that the financial institutions refused to afford their organisations loans for a variety of reasons and that the criteria used by the same institutions for the granting of financial assistance were very strict. In certain cases, they were expected to provide surety/collateral when submitting loan applications. .

The other factor that was highlighted as a shortcoming by 90% of the businesses, during the interview process was difficulty in accessing credit facilities from materials and tools suppliers. 80% of the companies identified lack of access to work opportunities as a

hindrance towards their success and sustainability. 99% of the companies indicated that delays in payment had contributed to their instability to a large extent. Lack of resources (skilled personnel, materials, tools and finances) were cited by 89% of the interviewees as a cause for their failure to perform. Table 4.2 and Figure 4.5 depict the situation in a tabular and grammatical format.

Table 4.2: Challenges Faced by Black-Owned SMMEs

CHALLENGE	PERCENTAGE
Lack of Capital	80%
Difficulty in Accessing Finance	85%
Difficulty in Accessing Credit Facilities	90%
Lack of Access to Work Opportunities	80%
Delays in Payment	99%
Lack of Resources	89%

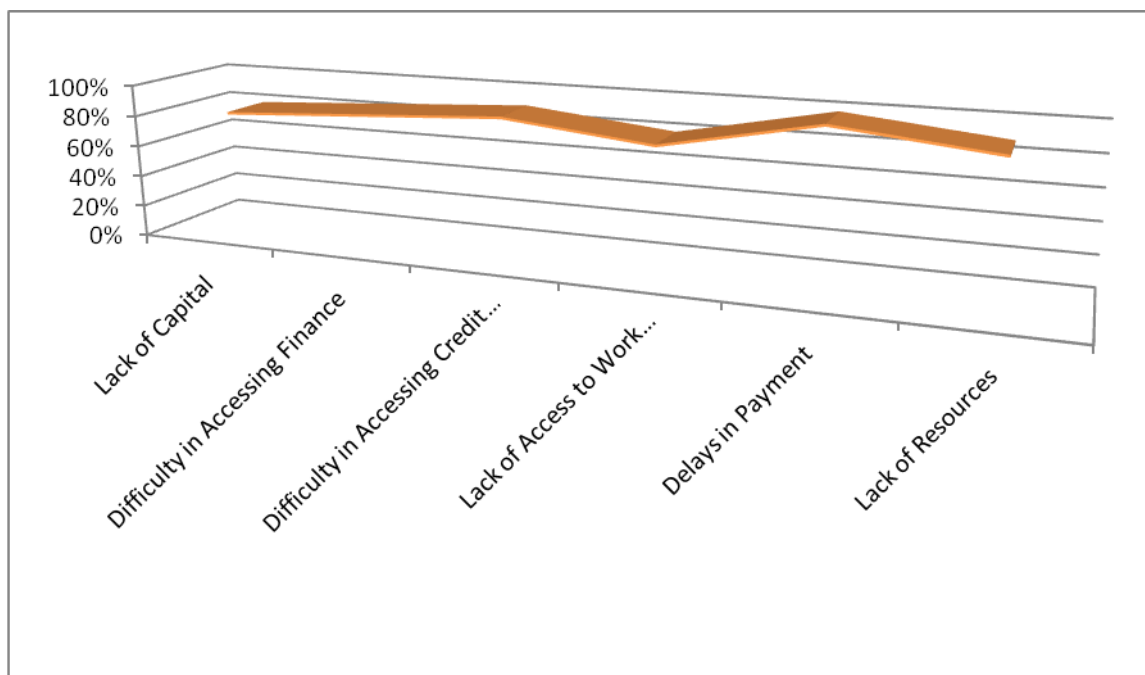


Figure 4.5: Challenges Faced by Black-Owned SMMEs

4.3 Performance Improvement

Ninety eight percent of companies believe that access to finance and credit facilities would help in the growth and success of their organisations. They also cited that access to finance and credit facilities would assist them to source and procure required resources (skilled personnel, materials and tools) which would, in turn, yield the required results in their

businesses. 70% believed that their protection against competition from large organisations and corporates would increase their access to work opportunities and, therefore, enhance the growth of their organisations. 98% indicated that the timeous settlement of their accounts by their clients would help a great deal towards the improved performances of their organisations.

4.4 Client Assistance

It was reported by 98% of the people interviewed that their clients could assist by paying/settling their accounts timeously (namely at least within 30 days from the date of the invoice). Delayed payments resulted in weak cash flows in their businesses which, in turn, created conflicts between the owner-managers and the unpaid employees and suppliers. Furthermore, the companies were unable to pay the telephone account, rent and other expenses. The other factor identified by 91% of the businesses is that their clients should give them opportunities to prove themselves and also protect them from having to compete against large organisations and corporates. They also indicated that they wanted to be given more opportunities by their clients, to explore different fields within the industries in which they operated, other than the ones they are currently engaged in. The companies felt that their clients, especially local authorities, were not affording them opportunities to venture into more specialised fields that are perceived to be more rewarding. The owner/managers were of the opinion that if companies diversify, they automatically expand their areas of operation and, therefore, increase the size of their markets.

Concerns that have been raised by the interviewees regarding the support required from their clients, more especially those that conduct business with Government, have highlighted critical factors, namely (a) that their clients should ensure that all large organisations operating businesses in the Sedibeng Region afford them at least 30% of their contracts with local authorities, (b) clients should provide them with developmental training programmes, prior to project implementation, to assist them to acquire skills, (d) clients should negotiate with materials/tools suppliers on their behalf and serve as guarantors to ensure that SMMEs receive the support they need.

Sixty percent of organisations interviewed indicated that clients could also assist by availing more contracts for bidding and by showing their trust in them through appointment. They further indicated that contracts/jobs are scarce because some contracts have been awarded to large organisations on long term agreements and, consequently, deny them the opportunity to grow. Lack of opportunities is believed to deny the SMMEs an opportunity to

showcase their capabilities and expertise and also the chance to gain better market related recognition and credibility. Figure 4.6 graphically depicts, the clients' assistance requests as received from the individuals representing their organisations have indicated.

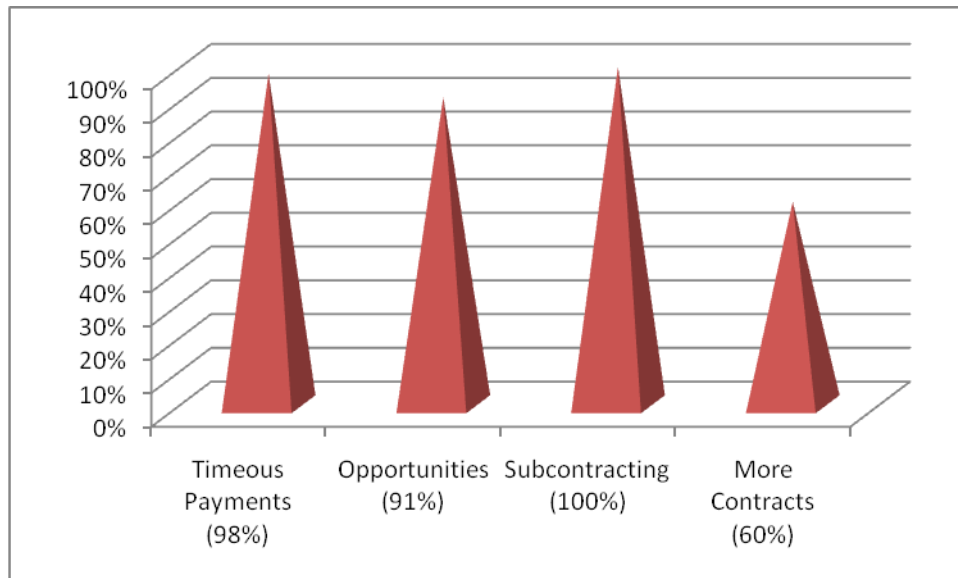


Figure 4.6: Required Clients' Assistance

4.5 Summative Observations

Seventy percent of the shareholders/owners of the SMMEs interviewed do not have adequate management qualifications to enable them to manage their businesses efficiently. It was found that amongst those who have formal training, their qualifications are irrelevant to the industries in which they operate and are insufficient in relation to the level of management they hold within their organisations. Efforts seem to have been made by the company owners to recruit qualified personnel, but, due to financial constraints, they have been unable to retain such personnel in their organisations, resulting in a lack of skilled personnel in most of the participating SMMEs..

Eighty percent of the shareholders interviewed lack management skills and experience because they have not been engaged in organisations at a management level prior to the establishment of their organisation. It can be assumed that the same lack of management skills and experience has led to the failure of their businesses. The general observation is that there is very little effort applied to the management of the businesses, because it seems that the primary focus is on making money rather than on building the brand of the organisation and its sustainability. Most of the interviewees admitted that their organisations did not have business profiles, visions, objectives, missions and, generally, the will to grow in

their fields of operation. Even though the shareholders lacked management skills, they tend to manage their businesses themselves instead of seeking skills elsewhere as a measure to reduce the operational costs. Table 4.3 shows the skills shortage that the owner-managers lack to run successful businesses.

Table 4.3: Management's Lack of Skills

CHALLENGE	PERCENTAGE
Lack of Management Qualifications	70%
Lack of Management Skills and Experience	80%

Almost all the owner-managers do not have accounting skills and systems in place. The owner-managers do not keep track of their daily transactions and, therefore, cannot account for their expenses and profits at the end of the project(s) and/or month(s). They are unable to separate their business and family situations. This is because business funds are often used to settle personal or domestic issues. Furthermore, owing to accounting systems not being in place, the owners fail to use profits made from completed projects to fund new projects, because the money has been used to settle personal/family needs.

There is high level of competition amongst the SMMEs in their respective industries of operation. This is a result of the boom of the SMMEs after the demise of Apartheid and the maturing markets that were also affected by the recession of year 2008 – what does this mean? Another factor causing this competitive spirit is the fact that the SMMEs have to compete with established and large organisations.

A considerable number of the SMMEs depend on the Government projects for their survival. Only a small number have indicated that they have considered bidding for contracts in the private sector and that the majority of these have not been successful in securing such bids. Those that do business with the Government, have pointed out political interference (such as the manipulation of the procurement systems) as a hindrance towards their being successful in securing Government contracts. It has been claimed that this failure is also due to corruption and nepotism. It has also been said that companies are usually identified long before the tendering process as preferred companies for appointment. Therefore, it is crucial for those involved in these tendering processes to ensure that integrity, code of conduct and ethics are practised during the awarding of contracts. Checks and balances should be enforced correctly to ensure that the tendering processes are fair. Those people found to be involved in bribing and giving/receiving of 'kickbacks' should be identified and prosecuted for

corruption. It is also important to separate political responsibilities and the administration of the local authorities, in order to eliminate this type of practice.

Lack of qualified, experienced and skilled personnel has prevented the growth of the companies participating in this study. It is common knowledge that in order for an organisation to be competitive within its industry, it needs to employ competitive personnel. Skilled personnel boost the company's performance and increase client and investor confidence and, therefore, the company growth. The owner-managers have admitted that, skilled personnel have a direct influence upon the output of the organisation. However, due to budgetary constraints, posed by high remuneration challenges, on operational costs, owner-managers decide to do away with the expensive (skilled) personnel. Therefore, it can be deduced that, without sufficient monetary resources and funding, SMMEs are unable to compile competitive and attractive packages that will lure skilled personnel. As a result, the organisation will perform poorly, in terms of delivery to clients and customers, which leads to loss of confidence by clientele and, therefore, potential clients.

The participating SMMEs do not invest in the training of their staff. The reason for this is that, due to limited funds, the owner/managers want to avoid using the funds they have. However, with technology changing daily, the competitive advantage of the organisations is weakened and, consequently, the organisations are left behind. Their employees also, fail to keep up with the changing demands of their industries.

The companies need to improve their marketing and technical skills the following ways: (a) know exactly what they are doing wrong in their businesses, (b) learn the flaws of the old methods used in businesses within their respective industries and integrate it with modern innovation and technology, (c) be resourceful in searching for better ways to promote their companies and the rest of the social marketing values that they accomplish, (d) employ and retain personnel with a high level of technical skills, (e) invest in buying plant and equipment for their businesses and lastly, (f) learn to price correctly when bidding for Government contracts.

4.6 Concluding Remarks

Lack of capital and access to finance has also been found to be challenges faced by SMMEs in the Sedibeng Region. This finding is in agreement to what Thwala and Phaladi (2009) previously reported.

The fact that this study has determined that the lack of resources poses a serious challenge to the SMMEs in the Sedibeng Region concurs with the same factor that was identified by Ofori (1991). Furthermore, the lack of management capacity that has been identified as a challenge in the Sedibeng Region, concurs with the findings of Ofori (1991).

A delay in payment to SMMEs by clients is a challenge experienced by SMMEs in the Sedibeng Region and concurs with similar comments made by Thwala & Phaladi (2009).

Lack of financial resources and skilled personnel are challenges faced by SMMEs in the Sedibeng Region. These results concur with what was reported by previous studies, particularly by Martin and Root (2009).

Lack of materials and tools resources, due to the reluctance of materials suppliers are challenges faced by SMMEs in the Sedibeng Region. This finding concurs with what Mvubi and Thwala (2007) have reported.

In summary, all the people interviewed during the course of this study indicated that in one way or another they were facing a significant number of challenges, and these have been deduced as (a) a lack of capital, (b) difficulty in accessing finance, (c) difficulty in accessing credit facilities, (d) a lack of access to work opportunities, (e) delays in payment and lastly (f) a lack of finance, skilled personnel, materials and tools resources.

Based on the facts set out above, it can be deduced that in the Sedibeng Region, there are many SMMEs that are inspired to operate in their respective industries but the majority of them do not have the necessary managerial skills in their employ. Thus most of them eventually fail in their endeavours to succeed and, as a consequence, companies fail to perform and sustain their businesses.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The ownership of small, micro and medium enterprises (SMMEs) in Sedibeng Region are dominated by males and Africans.

The majority of the SMMEs are owned by 'Youth' (namely persons of 35 years of age and below) and a significant number of these owners do not possess post-graduate qualifications and/or degrees.

A significant number of the SMMEs have only been in operation during the last five years and a few have been in operation during the last 10 years. Most of them are 'one man shows' and family businesses that have their offices in townships other than Central Business Districts.

The owner-managers of these SMMEs have not held any senior managerial positions prior to the establishment of their businesses and, therefore, lack managerial experience.

Half of the participating companies employ less than 20 employees on average and the majority employ individuals depending on the workload of the company and therefore only on a part-time basis. Some companies utilise students from the local educational institutions as their temporary staff on an 'as and when needed' basis.

Almost all the owner-managers lack accounting skills and do not have financial systems in place. They do not keep track of their daily transactions and, hence, cannot account for their expenses and profits at the end of the day.

There is high level of competition amongst the SMMEs in their respective industries of operation, due to a boom in the establishment of the SMMEs and maturing markets.

A small number of organisations have pointed out political interference as a hindrance towards their being successful in securing Government contracts.

Lack of qualified, experienced and skilled personnel has prevented the companies from growing. Some organisations do not invest in the training of their staff due to limited funds.

As a consequence, employees become uncompetitive and cannot keep up with the innovative developments.

The companies do not have marketing and technical skills to enable them to be recognised by potential clients and, therefore, lose opportunities to expand their client bases.

All the SMMEs in the Sedibeng Region, are facing similar challenges, namely (a) lack of capital, (b) difficulty in accessing finance, (c) difficulty in accessing credit facilities, (d) lack of access to work opportunities, (e) delays in payment and lastly (f) lack of financial, skilled personnel, materials and tools resources.

5.2 Recommendations

When Government authorities are clients, and award contracts to large organisations or corporates, the Government authorities in question should ensure that the locality policy, where 30% of all contracts are subcontracted to local SMMEs, is implemented successfully.

The clients should give more opportunities to SMMEs instead of awarding all contracts to the large organisations and corporates. The SMMEs in turn should use the opportunities provided to build their credibility through the showcasing of their capabilities and expertise through delivered outputs which will give them a chance to gain market recognition.

The SMMEs should develop, maintain and implement appropriate accounting and record systems so that they will be able to calculate their profits and losses. This information should also be used to determine if the accounting methods employed yield better results or if they need to be changed.

Where there is political interference, the responsible authorities should act with speed and root it out of the procurement processes.

The participating SMMEs should invest in the training of their staff so that they become competitive and well informed with regard to the developments in their particular industries and their technology demands.

The companies should improve their marketing and technical skills. By marketing efficiently, they would be able to increase their clientele bases and, therefore, gain the competitive advantage of having more potential work opportunities.

Clients should pay SMMEs timeously for work completed, namely within a 30 day period after issue of an invoice. Ideally, SMMEs should be paid immediately on presentation of their invoices and statements.

The SMMEs should employ and retain qualified, experienced and skilled personnel so that they can help improve the business's performance and, therefore, ensure the success of the organisations.

The owner-managers should employ individuals who possess managerial skills or they must acquire these skills themselves so that they can succeed in their endeavours to prosper and, as a consequence, grow their organisations.

The financial institutions should relax their criteria and requirements when dealing with SMMEs. The latter action would in turn allow the SMMEs to attain access to financial and other resources.

Where possible, creditors and suppliers should allow SMMEs to purchase supplies and clients should serve as surety or sign concessions so that suppliers can receive direct payments from clients of SMMEs. This will help enhance access to supplies for SMMEs.

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ANNEXURE A
(COVER LETTER AND QUESTIONNAIRE)

15 May 2011

Dear Contractor,

RESEARCH: IDENTIFYING CHALLENGES OF BLACK-OWNED SMMEs IN SEDIBENG REGION.

I write to seek your assistance in completing the attached questionnaire for my final-year treatise on the above mentioned topic. The research forms part of the requirements for the Master of Business Administration Potchefstroom Business School of the North West University.

The major objective of the study is to determine ways of improving the business performance and success of emerging black-owned SMMEs in Sedibeng Region.

Everyone stand to benefit from the study as it will critically look at ways the emerging small and medium black-owned enterprises, that are located and operate within Sedibeng Region, can contribute positively to the mainstream economy and how the challenges they experience can be eradicated.

I would be very grateful if you could complete the attached questionnaire and return it by either email (mapikitlad@engcoreengineers.co.za), fax (0866175889), hand delivery (39 Michelin Street, NW7, Vanderbijlpark) or phoning the undersigned on 0827767249. Needless to say, the information provided will be treated with strict confidentiality and names of individuals and firms will not be identified. Equally, a copy of the summary report will be available to co-operating firms. The response to the questionnaire should take about six minutes of your available time.

Once again, be assured that your input will be treated with the greatest confidentiality and that in order to validate the research it is essential that you provide your name, name of your organization and contact details. The personal information you provide ensures that students (i.e. myself) do not embellish the research with false information. It is possible that the university may contact you to confirm that you completed the questionnaire. This is to validate my submission and is not a method to check up on you. The information provided will be used as a statistic and no individual will be named. The questionnaires are retained by myself and will not be distributed to another person or entity.

To ascertain the good intentions of this survey you can contact **NWU** Potchefstroom Business School's MBA Programme Director, Prof. R. Lotriet on telephone number 0182991415, facsimile number 0182991416 or email address ronnie.lotriet@nwu.ac.za or my Supervisor, Prof L.T.B. Jackson on telephone number 0182991521, facsimile number 0182991416 or email address leon.jackson@nwu.ac.za.

I look forward to receiving your response by not later than 18 July 2011 please.

Thank you for your kind cooperation.



David Mapikitla

Telephone: 0169862685

Facsimile: 0865409820

Cellphone: 0827767249

QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION.

- 1.FULLNAMES.....
- 2.GENDER.....
- 3.AGE.....
- 4.CELLPHONE NUMBERS.....
- 5.HIGEST QUALIFICATIONS.....
- 6.TOTAL NUMBER OF YEARS OPERATING THIS BUSINESS.....
- 7.TOTAL YEARS EXPERIENCE IN TOP MANAGEMENT LEVEL.....
- 8.COMPANY NAME.....
- 9.PHYSICAL LOCATION OF THE COMPANY.....
- 10.COMPANY CONTACT DETAILS.....
- 11.CURRENT NUMBER OF CONTRACTS WITHIN SEDIBENG REGION.....
- 12.NUMBER OF EMPLOYEES IN THE BUSINESS.....

