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Impact of Local Economic Development Framework Policy on Entrepreneurship Development and Performance in the City of Johannesburg Metropolitan Municipality

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Supervisor: McEdward Murimbika (PhD)

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management specialising in Entrepreneurship and New Venture Creation

Johannesburg, March 2019

Wits Business School

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ABSTRACT

This study investigated the performance of the Local Economic Development Framework Policy with regard to the impact on Entrepreneurship development and performance in the City of Johannesburg Metropolitan Municipality. This study sought to understand and explore the effect of the Local Economic Development framework on entrepreneurial development and performance in the City of Johannesburg Metropolitan Municipality. Local Economic Development (LED) has been identified in the City of Johannesburg Metropolitan Municipality as one of the key developmental options available for the municipality. This paper used empirical research to conduct the investigation of the hypothesised relationship between two constructs, i.e. Local Economic Development Framework and Entrepreneurial Performance. An analysis by testing the hypotheses that predict the relationships of the variables was undertaken through various statistical models. The purpose of local economic development (LED) is to build the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth to stimulate entrepreneurial drive and create employment generation. Strategically planned local economic development (LED) is increasingly used by communities to strengthen the local economic capacity of an area, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs and workers. The ability of communities to improve the quality of life, create new economic opportunities and fight poverty depends upon them being able to understand the processes of LED, and act strategically in the changing and increasingly competitive market economy. Municipal government has an essential role to play in creating a favourable environment for business development and success. By its nature, local economic development is a partnership between the business sector, community interests and municipal government. LED is usually strategically planned by local government in conjunction with public and private sector partners. Implementation is carried out by the public, private and non-governmental sectors according to their abilities and strengths.

Key Words: Local Economic Development Framework Policy, Entrepreneurial Development, Entrepreneurial Performance

DECLARATION

I, ***Unathi Nkosana Baduza***, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in Entrepreneurship and New Venture Creation in the Wits Business School, Johannesburg. It has not been submitted before for any degree or examination in any other university.

Unathi Nkosana Baduza

Signed at …… On the …….. day of …… 2019

DEDICATION

In loving memory of my late grandfather and late grandmother, Mr Obed Samuel Solomon Baduza and Mrs Leonora Vuyelwa Baduza (nee Msengana), respectively, from my paternal side, and my late grandfather and late grandmother, Mr. Sargene Edmund Mdoda and Mrs Esme Mamazana Vera Mdoda (nee Tshete), respectively, from my maternal side, who were seasoned educators and valued education dearly. Also, to my late uncle, Phindile David Baduza, who was a pioneer and seasoned entrepreneur, and had entrepreneurship in his DNA. Last but not least, I dedicate this paper to the Lord God Almighty, and my other unborn babies.

"Make me the master of education, and I will undertake to change the world"

Gottfried Wilhelm Leibnitz

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CHAPTER 1. INTRODUCTION

According to the World Bank report, Local Economic Development (LED), both internationally and nationally, has become one of the key development interventions (Rodriguez-Pose, 2009). LED focuses on the specific economic challenges which manifest themselves in unique localities. From the standpoint of Local Economic Development, there is a strong belief on local resources, leaders and institutions to respond to locally-based economic crises and opportunities (Rodriguez-Pose, 2009). The origins of modern Local Economic Development practices can be traced back to the 1960s (Rodriguez-Pose 2009b, p, 1) claims that Europe is generally ''regarded as the cradle of Local Economic Development approaches''. Pressures to stimulate Local Economic Development have come from at least two main directions: ''on the one hand they are expressions of uneven and inequitable outcomes in the economic landscape and on the other hand they reflect variability in the aspirations and concerns of actors about the pace and extent of local investment''. Although interest in Local Economic Development approaches to development was first apparent in both Western Europe and North America, notions of and approaches to Local Economic Development subsequently spread to other parts of the world (Blakely; Harvey, Clarke & Gaile, 1998).

Developing an LED Strategy requires that a municipality does an analysis of the existing situation, look at opportunities for growth and decides on the best strategies to achieve their goals. Related to this priority has been the embrace of democratic principles in the country, and the allied recognition of the need to allow all stakeholders a say in the interventions which directly affect them. Citizens' rights to participate in decision-making is reflected in the enhanced role and status of local government in the new constitutional order.

1.1 Purpose of the study

The purpose of this study was to explore the effect of the Local Economic Development framework on Entrepreneurial development and performance in the City of Johannesburg Metropolitan Municipality. Local Economic Development has been identified by the Council of City of Johannesburg Metropolitan Municipality as one of the key developmental strategies available to the municipality. As a result, its current and potential role needed to be understood and analysed.

1.2 Context of the study

The promotion of entrepreneurship and small business remains an important priority of the City of Johannesburg Metropolitan Municipality (Barker, 2011). The City of Johannesburg Metropolitan Municipality commitment is to ensure that small businesses progressively increase their contribution growth and performance to the South African economy in critical areas such as job creation, equity and access to markets.

Key powers have been devolved to local government, as enshrined in the Constitution (RSA, 1996), the Municipal Systems Act (RSA, 2001) and the Municipal Structures Act (RSA, 2001). These Acts and the associated Local Government White Paper (RSA, 1998) introduced the concept of 'developmental local government' to the national development lexicon. The development strategy of LED has been a key strategy for local governments, as part of the integrated planning process (DPLG, 2000).

The City of Johannesburg Metropolitan Municipality continues to lead efforts to increase the levels of entrepreneurship through supporting small business creation, the City of Johannesburg Metropolitan Municipality is mindful that, this important task cannot be successfully undertaken by one player alone. Partnerships between government and various stakeholders and role players remains a critical success factor.

1.3 Problem statement

1.3.1 Main problem

The main problem in this study relates to the performance of the Local Economic Development Framework Policy with regards to the impact of Entrepreneurship Development and Performance in the City of Johannesburg Metropolitan Municipality. The following sub-problems i.e. training, preferential procurement, infrastructure and incubation were investigated.

1.3.2 Sub-problems

(1) The first sub-problem is to assess the relationship between Training and SMME Performance in the City of Johannesburg Metropolitan Municipality.

(2) The second sub-problem is to assess the relationship between Preferential Procurement and SMME performance.

(3) The third sub-problem is to assess the relationship between the availability of infrastructure and SMME performance in the City of Johannesburg Metropolitan Municipality.
4) The fourth sub- problem is to assess the relationship between incubation and SMME performance.

1.4 Research objectives

Strategically planned LED is increasingly used by communities to strengthen the local economic capacity of an area, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs and workers. The ability of communities to improve the quality of life, create new economic opportunities and fight poverty depends upon them being able to understand the processes of LED, and act strategically in the changing and increasingly competitive market economy to make recommendations for improving Local Economic Development implementation and to address the performance of LED framework policy on entrepreneurship in the City of Johannesburg Metropolitan Municipality context

1.5 Significance of the study

The importance of the study therefore outlines, that for the local government to be effective in the process of LED, it must put in pragmatic and relevant strategies and tools, have the necessary capacity, a strong institutional set-up and should consciously involve all the existing and potential stakeholders in all the stages of the LED process. This should also be complemented by efforts of the central government to strengthen the local government in the process of LED. Through research and research-related activities, universities can share leading-edge knowledge and ideas with industry and the SMME sector, as well as with policy makers. Enhancing entrepreneurship and SMME development through education will undoubtedly contribute significantly to the achievement of this goal. The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

1.6 Delimitations of the study

This research focused on the City of Johannesburg Metropolitan Municipality. Data was collected and analysed from service providers, through briefing sessions, and the City of Johannesburg Metropolitan Municipality's supplier database through questionnaires.

1.7 Nomenclature

1.7.1. Local Economic Development

Motswiane (2009) posits that LED is a means of addressing economic problems in local areas gained by the collaboration between different stakeholders, including the community. Furthermore, Tomlinson (2003) and the World Bank Group (2011) assert that the main purpose of LED is to reduce the level of poverty by building the economic capacity of a local area through the utilisation of local resources to improve the quality of life for all.

1.7.2 Public sector entrepreneurship conceptualised

Public sector entrepreneurship has been defined by Leyden and Link (2015) as the promulgation of innovative public policy initiatives that generate greater economic prosperity by transforming a *status-quo* economic environment into one that is more conducive to economic units engaging in creative activities in the face of uncertainty. In today's economy, public sector entrepreneurship affects that transformation primarily by increasing the effectiveness of knowledge networks; that is, by increasing the heterogeneity of experiential ties among economic units and the ability of those same economic units to exploit such diversity. Through policy initiatives that are characterised by public sector entrepreneurship, there will be more development of new technology and hence, more innovation throughout the economy.

1.8 ASSUMPTIONS

This Research Report required that the context be established and that any views that the researcher may have held when conducting the research be presented to inform future studies.

1.9 Conclusion

Establishing and maintaining both formal and informal links with all the key stakeholders can support LED implementation and monitoring. Building working relationships and trust between partners assists in the process of managing perspectives and differing agenda. Most broad-based, comprehensive LED strategies are delivered through public-private sector partnerships that are strongly driven by the municipality and include the private sector and community groups. (Swinburn, Goga, & Murphy, 2004). The private sector is often keen to manage initiatives aimed at improving the vitality and viability of town centres or to be involved with business development initiatives.

1.10 Structure of the Research Report

This research report is structured as follows: this chapter (Chapter 1) provides the introduction and background of this study and outlines the problem statement which is the foundation on which the study is based. The significance of undertaking the study is also highlighted. The next chapter (Chapter 2) presents the literature review, where major theories and the hypothesised research model is outlined and discussed and it further explores the literature relating to Local Economic Development, Micro and Macro Indicators of LED, Broad Based Black Economic Empowerment, definition of constructs, reforms in the Local Government sphere, City of Johannesburg Metropolitan Municipality Economic Development Departments' Mandate and Programmes and the role of Monitoring and Evaluation in the City of Johannesburg Metropolitan Municipality. Chapter 3 is the discussion of the research methodology which includes a presentation of the sample of the data collated from the questionnaires, which were given to respondents (Current and aspiring Service Providers within the City of Johannesburg and other stakeholders), these questionnaires were distributed in the tender briefing sessions and stakeholder forums that are held by the Group Strategic Supply Chain Management in the City of Johannesburg Metropolitan Municipality Department of Economic Development). Chapter 4 is the data analysis of the study; Chapter 5 is the interpretation of the results from the data and lastly, the report ends with recommendations of the study in Chapter 6.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

Rodriguez-Pose (2008, p, 23) describes LED as an integrated approach to development rather than a “one size fits all” solution, with its core purpose being “to mobilise the local economic potential by bringing innovation to all its growth dimensions which range from infrastructure, to local Small and Medium Enterprises and their skills, to attracting foreign direct investment, fostering territorial competitiveness, strengthening local institutions, better management of the development process and internalising local resources”. Bringing together local governments, the private sector and civil society in a search for the right LED formula allows the community to build from the ‘inside-out’, capitalising on local assets rather than from the ‘outside-in’ relying on external interventions (ILO, 2008, p. 2, as cited in Rogerson, 2011, p. 11758).

Local government is an important sphere of government to facilitate sustained accountability and confidence in governance by engaging with the citizenry in a participatory manner to effect improved service delivery. The continued momentum of LED research, in part, has been fuelled by several innovations introduced by South African municipalities, especially concerning a recent shift toward the implementation of pro-poor interventions concerning LED. This trend makes the experience of South African municipalities of considerable interest as a potential source of learning or 'best practice', particularly for other countries in the developing South (Clark, 2002; Rogerson, 2003).

This section contains a literature review of key elements pertaining to the impact of Local Economic Development Framework on Entrepreneurship Development and Performance; and provides an overview of the small business environment and entrepreneurship. It further attempts to contextualise and assess the relevance of the small business sector and entrepreneurship in the local government setting. It begins with a background discussion, and then moves on to providing theory and concepts that are related to the Local Economic Development framework and Entrepreneurial development and performance.

The aim of this research was to examine in brief, the concepts of local economic development and entrepreneurship, and to emphasize the role of entrepreneurship in local economic development. This research report provides a theoretical model that highlights some of the main factors involved in the relationship between Entrepreneurship and Local Economic Development (LED). More than ever in the history, Local Economic Development (LED) and

Entrepreneurship have become strongly interconnected (Nel, 2006).The main problem in this study relates to the performance of Local Economic Development Framework Policy on Entrepreneurship in the City of Johannesburg Metropolitan Municipality. The World Bank (2015, p: 178) defines the purpose of Local Economic Development (LED) as follows:

"To build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation". In this regard, LED focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive."

LED encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance. The practice of local economic development can be undertaken at different geographic scales and each local government pursues LED strategies for the benefit of its individual communities; and the various areas within a local government's jurisdiction can also pursue LED strategies to improve their economic competitiveness. LED is about communities continually improving their investment climate and business enabling environments to enhance their competitiveness and to create and retain job opportunities.

LED has been discussed internationally and in the South African context, so that we get different perspectives from other scholars. LED has four focus areas which are Economic Growth, Job creation, Enterprise development and Support, and LED Strategy and Capacity, however for the purposes of this research the focus is only be on Enterprise Development and Performance. The variables (Training, Preferential Procurement, Infrastructure and Incubation) were also discussed.

2.2 OVERVIEW OF LED INTERNATIONALLY

The establishment of local self-government was a key part of the post-1989 transformation in East and Central Europe. Local government in both Western and East and Central Europe has increasingly been expected to play a role in local economic development (LED). Local government is one important agent in the complex processes of building 'institutional thickness' to ensure the development of local economies and the quality of life of inhabitants. The establishment of local self-government and territorial decentralisation is an integral part of post-1989 processes of transformation in East and Central Europe (ECE) Political decentralisation was seen as essential for dismantling the communist past and creating a new political and economic order (Regulska, 1997)

Local economic development has been promoted for almost two decades in South Africa. The thinking that accompanies this approach is that bottom-up strategies are to be encouraged rather than a centralised, top-down approach. These are integral to development thinking. Research on international experiences suggests that opportunities which emanate from economic globalisation have been more restricted and the threats more severe from low and middle-income countries, and especially in marginalised areas (Hindson, 2007). South Africa is considered to be a middle-income country, and certainly has marginalised sectors within it. It has been said that globalisation is not only about the logic of integration, but it is also about the logic of marginalisation and exclusion. Therefore, some parts of a nation become linked into the world economy, and others remain irrelevant, or invisible to global flows, unless there is a war or disaster which brings them into the national or international public radar (de Campos Guimaraes, 1998 in Hindson & Vicente-Hindson, 2005).

Globalisation increases both opportunities and competition for local investment. It offers opportunities for local businesses to develop new markets but also presents challenges from international competitors entering local markets. Multi-site, multi-national manufacturing, banking and service corporations compete globally to find cost efficient sites in which to locate. Technologically advanced growth industries require highly specialised skills and a supporting technology infrastructure, but increasingly all industrial and service sectors need highly specialised and specific skills and business environments. Local conditions determine the relative advantage of an area and its ability to attract and retain investment. Even small towns and their surrounding rural regions can develop local economic opportunities at a national or international level by building on their local economic strengths (Gwen, et al 2014).

In recent years, LED has been recognised, internationally, as a key response to key contemporary trends, such as:

• **Increasing decentralisation of power** and decision-making to the local-level, which parallels the reduction in the role of the central state in the economy in a neo-liberal era.

• **Globalisation forces**, which in an era of the diminishing importance of the nation-state, compel a local-level response,

• **Economic change within localities,** varying from de-industrialisation to local innovation which requires local leadership initiative, response and direction, and

•The dubious results achieved by **macro-level planning** and **regional development** interventions (Nel, 1994, 2001)

2.3 LOCAL ECONOMIC DEVELOPMENT IN THE SOUTH AFRICAN CONTEXT

In the South African context, Local Economic Development usually refers to actions initiated at the local level, typically by a combination of partners, to address socio-economic problems or to respond to economic opportunities (HSRC, 2003). Patterson (2008) posits that Local Economic Development aims to boost local economies, promote job creation and income generation and improve governance and municipal performance. The promotion of Local Economic Development is based on a different approach to traditional development strategies. It focuses on improving a territory (that is, a region or a city and competitiveness and economic performance. Local governments, businesses, community organisations and/or NGOs work together to develop an understanding of their local economy, reflect on the different revival options available to them and develop strategies and projects enabling them to share the benefits of economic growth.

Local Economic Development therefore refers to a territory-based economic development strategy, whose project management is local and mainly aimed at increasing the number of jobs, the income mass, and achieving broader economic growth. Local Economic Development is a partnership approach focused on strategic planning and centred on local demand to facilitate job growth, poverty alleviation and improved living conditions through improved economic governance. Zaaijer and Sara (1993, p.129), also argue that Local Economic Development "...is essentially a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each other, to create new jobs and stimulate economic activity in an economic area".

According to the World Bank (2000, p.1): “Local Economic Development is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all”. A subsequent World Bank document asserts that “Local Economic Development is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life to all in the community. “Community” here is defined as a city, town, metropolitan area, or sub-national region’ (World Bank, 2002, p.1). These quotations clearly identify the core focus of Local Economic Development, emphasising the concepts of partnership, economic sustainability, job creation and improvement of community well-being.

The South Africa government has invested a great deal of resources in the local economy through various agencies and initiatives. In addition, there is a plethora and network of state service providers in the training and skills development as well as in business development sectors (Seda, 2014; NEF, 2014; IDC, 2014; Mail & Guardian, 2014).

The latest introduction of a new Ministry of Small Business by the country’s president demonstrates the seriousness which government accords to small businesses and local economic development (DTI, 2014). This action and other economic development initiatives at local government level should be encouraged and strengthened through a national framework to ensure economic growth and increased productivity at this level (Young & Kaczmarek, 2000; Cutler, 2002; McKethan & Maynard, 2006). The main focus on local government is on its ability and responsibility to address the constraints to increased investment (O’Toole & Tarp, 2012; Heese, 2005) in localities and business activity and expansion to drive local economic growth. Some of the key constraints of increased business activity especially in major cities include crime, lack of skilled labour, poor infrastructure and unfavourable business legislation.

As pointed out by Patterson (2008), Local economic development in South Africa is a post 1994 phenomenon. Under apartheid, South Africa had a distinct regional planning policy characterised by strong central government control which suppressed the emergence of Local Economic Development initiatives in towns and cities of South Africa and led to the erosion of local autonomy. In facilitating a response to the multi-faceted development challenges which the country faces, South Africa’s African National Congress government has initiated a veritable battery of policies to promote reconciliation, decentralisation, local empowerment, participation and development at the local government level (Binns, Porter, Nel & Kyei, 2005).

According to Sections 152 (c) and 153 (a) of the Constitution, local government must “promote social and economic development” and it must “structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community” (RSA, 1996). Moreover, the South African constitution establishes “developmental local government” which implies that the Local Economic Development agenda in the context of South Africa, unlike in other countries is neither voluntary nor just a local government initiative but a constitutional requirement (Hofisi, Mbeba, Maredza & Choga (2013, p 539). To this end, Smith and Vawda (2003) assert that the idea of developmental local government (DLG) emerged from the fusion of the social interventionist goals of the Reconstruction and Development Programme (RDP) and the market-driven economic strategies of the Growth Employment and Redistribution policy (GEAR); the two main national policies of the post-apartheid era for addressing economic growth and poverty eradication.

As pointed out by several observers, there are numerous definitions of „local economic development“. For the US scholar Timothy Bartik, Local Economic Development represents increases in a “local economy’s capacity to create wealth for local residents” (Bartik, 2003, p. 1). In the African context, Helmsing and Egziabher (2005, p. 1) consider Local Economic Development to be “a process in which partnerships between local governments, NGOs, community-based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory”. Moreover, LED initiatives “mobilize actors, organizations and resources, develop new institutions and local systems through dialogue and strategic actions” (Helmsing & Egziabher, 2005, p. 71).

2.4 THEORETICAL PERSPECTIVES ON LOCAL ECONOMIC DEVELOPMENT AND ENTREPRENEURSHIP

Understanding the role of entrepreneurship and entrepreneurs in the process of economic development requires the decomposition of the concepts. There are hundreds of definitions for the notions of entrepreneur and entrepreneurship. Ever since the first writings about entrepreneurship there has never been an accord over a definition of the concept. The central explanation lies in the fact that entrepreneurship represents a multifaceted phenomenon, being analysed as a process, a resource or a state-of-being (Naudé, 2013). That is why there is no shortage of definitions of entrepreneurship because it is too complex to be explained through a single set of factors. During this time, the scholarly views of entrepreneurship have evolved into three main categories (Naudé, 2013): behavioural definitions (e.g., Schumpeter,

Kirzner); occupational definitions (e.g., Evans & Jovanovic); synthesis definitions (e.g., Gries & Naudé).

2.5 MICRO INDICATORS OF LOCAL ECONOMIC DEVELOPMENT

2.5.1 Strategic and participatory planning

Participatory planning is the essence of the local economic development and we are not much mistaken to put the equation mark between the two terms. Existence of a strategic plan (strategy) for LED, which was created in a participatory manner, with inputs from all relevant stakeholders taken into consideration, may serve as the first, although not the only important, indicator of a community's potentials for LED. Today it is almost impossible to find a municipality without some sort of a development strategy (Hadžić 2010)

However, we must agree with the prevailing opinion by both, scholars and the municipal decision-makers, that most of the strategic documents were not successfully and fully implemented in practice. The reason most often stated, among other, is that the strategies often were not the products of thorough analysis and true partnership of the main local economic development.

2.5.2 Business parks

As a product of what scholars refer to as "close union between urbanization and development" (Todaro & Smith 2006), the business parks (or "business zones", as they are commonly referred to in Bosnian language) are "separate and structured business establishments in which at one location, well connected with other locations, the various types of manufacturing and service activities are developed, on the basis of cluster-like organization principles and by using of the well-developed infrastructure and the accompanying services which are of specific industrial features" (Rez, 2007).

Besides the location and clustered position, the parks also provide favourable rents, delayed payment, tax benefits, and access to venture-capital, and an organized marketing approach, with assistance in exports. Business Parks are established and managed by local government and various quasi-governmental and other organisations and they have a private status or some other form of organisation (Redah, 2008).

Despite their relative widespread presence throughout South Africa, it is evident that thus far, neither relevant governmental agencies nor the scholarly community have produced a systemic and thorough analysis on the fruitfulness of business parks in South Africa.

That is why the researcher shall consider as an LED indicator only the fact of a park's existence, and not their true impact in a municipality.

2.5.3 Business incubators

A business incubator is another tool for fostering LED for which the municipality's capacity and support of the local actors is of critical importance. It is defined as a "suitable" space where potential entrepreneurs start their business, or where the new (less than six months old) micro-, mini- or medium-sized enterprises continue their business. It features favourable conditions of use of the business premises, advisory services and the assistance provided by the incubator's management (NBR, 2008).

Business Incubators are organisations that create value by providing support such as facilitation services to assist potential start-ups and SMMEs to develop sustainable businesses (Tötterman & Sten, 2005; Hughes et al., 2007). Business Incubators provide different services mainly integrated in three dimensions: facilities, coaching, and access to networks (Abduh et al., 2007). However, Business Incubators as any other organizations are limited to possess all the resources to create value. Business Incubators need to ensure sufficient resources to provide the demanded incubation services at the wanted level and quality. According to Somsuk, and Laosirihongthong (2014) Business Incubators resources are divided in:

- Human resources which are composed by incubator's management team and staff including knowledge and experience;
- Technology resources are products and technology e.g., laboratories, technology capabilities and skills;
- Financial resources allude to financial support; and
- Organizational resources make reference to planning, coordinating, monitoring, routines and relationships related to an organization.

Business Incubators seek to establish interdependencies to get access to such resources. Business Incubators interdependencies are seen as strategic partnerships that may contribute to increase sustainable business development for tenants by improving businesses income inequalities and poverty (Bitzer et al., 2008). Mainly, access to resources is through creating collaboration with partners in order to achieve Business Incubators objectives; otherwise, Business Incubators fail if they lack of critical resources to perform its services (Peters et al., 2004). Collaboration is influenced by Business Incubators strategies to control

interdependencies and increase mutual interests among the strategic partnership (Hillman et al., 2009)

2.5.4 Municipal governance

One of the principles of the SA "Small Business Programmes" is devoted to public administration and is aimed to make public administrations responsive to SMMEs' needs, making life as simple as possible for SMMEs, notably by promoting government and one-stop-shop solutions. Modern and responsive public administrations can make a major contribution to the success and growth of SMMEs by saving them time and money and hence freeing resources for innovation and job creation. As important, municipality's management of scarce budget resources is of direct relevance to LED.

Depending on how efficient and responsible management of budget and finances is – i.e. generation of own source revenues or ratio of capital versus operational outlays – a municipality will have a potential to more successfully foster LED. Non-tax revenues are the only source of income a municipality can directly collect and control, resulting from the municipality's own-source revenue generation (EC 2008).

As Osborne and Geabler (1993) point out, perhaps the safest way to raise non- tax revenue is simply to charge fees to those who use public services. User fees have become ever more popular as resistance to tax increases. It is assumed that reforms of the municipal services and, especially, the municipal budget and finance management, will lead to an increase of municipal own-revenue generation, as measured in total own-revenues as adjusted for inflation. Management and technological innovations assist the municipality to better plan, collect, analyse and store information on the collected fees and their sources, the existing and the prospective ones. Another potential and desirable impact the municipal reforms have in the socio-economic area is an increase in the ratio of capital outlays to operating expenses.

In other words, as a percentage of total expenditures, municipalities will devote less to their own operations and more than before to capital investments including infrastructure for enabling the business and societal prosperity.

2.6 ENTERPRISE DEVELOPMENT AND SUPPORT

The establishment and/or support of sustainable SMME's, and co-operatives are important vehicles to promote economic opportunities and in addressing some of the developmental challenges local communities face. The support provided includes a range of programmes,

such as business development training, information kiosks, exhibitions, trade expositions, business hubs and many more, with the aim of increasing the number of business opportunities available within a specific municipality. The provision of enterprise development and support has been a focus area for the LED, however, municipalities have also increasingly recognised the role of the informal economy in their local economic strategies and integrated development plans (the dti,1995).

2.7 FORMAL BUSINESS (SMME's, COOPERATIVES)

Initially, Municipalities focused heavily on the use of their own procurement processes, and adopted and implemented supply chain management policies to strategically channel procurement spend to SMME's and Cooperatives. In addition, support was provided to BBBEE businesses to become registered on the respective municipal supplier databases. For example, in the 2004/05 period, the City of Tshwane (COT) spent more than R63million and City of Johannesburg (COJ) channelled an amount of approximately R300million to BBBEE suppliers through their procurement processes (Auditor General of South Africa, Gauteng Municipality Management Reports for financial years 2011/12 to 2014/15).

The SMME incubator concept was developed and implemented; and the metros implemented supportive interventions for entrepreneurs and investors. The Department of Provincial and Local Government, with support from donors, launched a process to improve the regulatory framework and the business and investment climate in municipalities. Toolkits and red tape reduction manuals were handed to municipalities to guide them in their initiatives. In addition, a support initiative to deploy economists to assist municipalities was launched. In this period, all municipalities reported, at least in narrative, on their focus on issues relating to empowerment and small business development, which reflected a variety in the type and scale of interventions implemented for such purposes.

However, in many instances, quantitative reporting on enterprises supported and developed was not consistent or available for all municipalities, making a trend analysis difficult. During the period leading up to the 2010 World Cup, municipalities increased support to the tourism sectors within their local economies – the COT trained 15 Tourism SMME's; the COJ adopted the 2010 tourism strategy; the Ekurhuleni Metropolitan Municipality provided marketing platforms for tourism SMME's at the holidaymakers consumer show and embarked on a number of different tourism SMME support programmes. The reporting on support given to SMME's, cooperatives and emerging farmers was mainly in narrative form in the municipal

annual reports; and often initiatives were described without indicating the number of SMME or cooperative beneficiaries (Municipality Management Report 2014/15, 2015).

2.7.1 Number of SMME and Cooperatives Supported, 2012–2015

Municipality	2012-2013		2013-2014		2014-2015	
	SMME	CO-OPERATIVES	SMME	CO-OPERATIVES	SMME	CO OPERATIVES
COJ	3967	4432	6774	774	1310	-
COT	5971	-	6335	264	6036	307
EMM	300	-	986	200	257	-
SEDIBENG	-	-	300	5		40
EMFULENI	-	-	312	72	20	-
MIDVAAL	-	-	20	-	63	-
WESTRAND	51	-	507	-	-	-
MOGALE	181	-	12	40	-	-
RANDFONTEIN	0	-	15	63	-	-
MERAFONG	742	-	279	40	-	-
WESTONARIA	0	-	200	30	-	-
TOTAL	**11212**	**4432**	**15740**	**1315**	**7736**	**347**

Table 2.1 Source: Black - Annual Reports of Municipalities; Blue - COGTA Municipal Performance reports

The table 2.1 above indicates that during the 2012/13 financial year a total of 11212 SMME's were supported by six out of the twelve municipalities in Gauteng; in 2013/14,as illustrated in Fig 2.1, eleven out of the twelve municipalities reported that 15,740 SMME's were supported (an increase of 40.38%); and in 2014/15, seven out of the twelve municipalities supported 7736 SMME's (a 50.85% decrease from 2013/14 to 2014/15). There was a significant decline in the number of cooperatives supported over three years (2012/13 to 2013/14 – 70.32% decrease; and 2013/14 to 2014/15 – 73.61%), year on year.

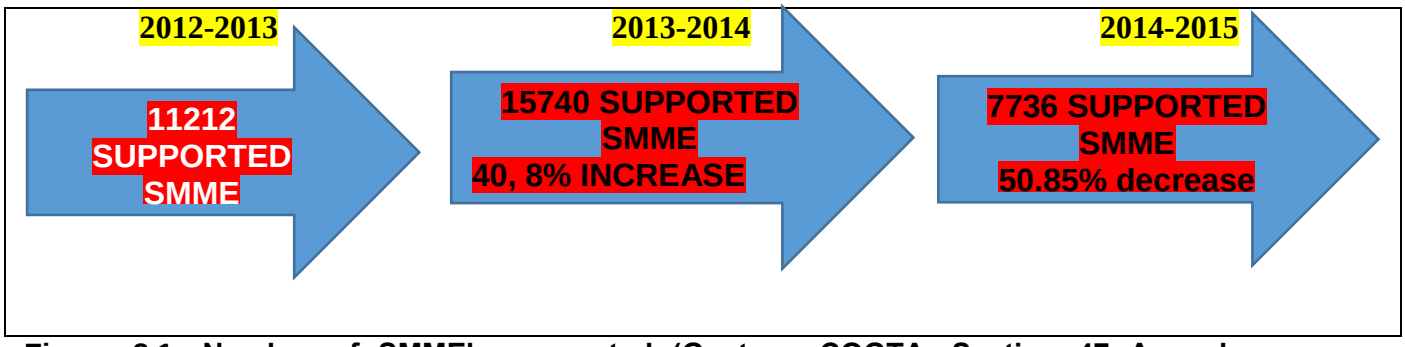


Figure 2.1: Number of SMME's supported (Gauteng COGTA, Section 47 Annual Municipal Performance Report, 2014/15)

The declining performance trend, contrasted with the large investments made in establishing infrastructure and interventions for enterprise development and support, was concerning considering its key role in the Township Revitalisation focus, however, it is unclear whether this was as a result of inconsistent availability of quantitative data, or due to a real decrease in performance by municipalities (Gauteng COGTA, Section 47 Annual Municipal Performance Report, 2014/15).

Alternatively, the decline may have been due to increased success by municipalities in facilitating better linkages between enterprises and institutions such as the Gauteng Enterprise Propeller, however, it would then be reasonable to expect that municipalities would report on such successes.

The narrative reports reflect that towards the latter part of the period, municipalities facilitated and made significant investments in supporting enterprises in an attempt to create an enabling environment for local businesses and promote job creation. These included efforts to revitalise and build township economies, by supporting the development of township enterprises, cooperatives and SMME's that would produce goods and services to meet the needs of township residents.

2.7.2 City of Johannesburg Metropolitan Municipality Projects

In terms of formal business enterprise development and support, the following successes have been realised over the fifteen year period, as illustrated in Table 2.2 below, the results show that municipalities actively worked to establish and rollout supportive infrastructure, and to create opportunities in support of enterprise development.

City of Johannesburg Metropolitan Municipality	Example
	• Facilitated the development of the Soweto Empowerment Zone. • Jozi@Work created an opportunity for communities to partner with the city to deliver services. • A total of 40,000 new jobs were expected to be generated by the City's spend across nine sectors by 2016. • Jozi Skills Hub project. Six SMME Incubators were established, and provided SMME support to register with CIPRO. • Established Jozi Equity Fund. • Developed the Green Infrastructure and Manufacturing Strategic Framework and Implementation Plan. Facilitated SMME development programmes and mentoring entrepreneurs in partnership with Gauteng Enterprise Propeller.

Table 2.2: COJ projects: Source: 15 Year Review of Democratic Local Government Performance in Gauteng, 2016: **Enterprise development and support programmes in the City of Joburg Metropolitan Municipality, 2011-2015**

There was an increasing focus on the modernisation and reindustrialisation agenda and specifically on township economy revitalisation later in the period, though reporting was not yet in the form of targets and baselines. While a challenge in statistical data reported on enterprise development (declining over past term), narrative reports cite numerous examples of enterprise development initiatives implemented by all municipalities.

Municipalities have invested large sums into the development of and support to SMME's and co-operatives. However, the following challenges and/or constraints have been identified:

- Insufficient quantitative performance reporting on the number of SMME's, cooperatives and emerging farmers supported by the Gauteng municipalities – the lack of a

consistent and standardised approach to planning, monitoring and reporting on enterprise development initiatives.

- The return on investment in enterprise development and support was not assessed or reported – in other words, the impact of support and development initiatives in relation to the size of investments and sustainability of small and informal businesses.
- The decrease, towards the end of the period, in the number of enterprises supported is a concern - however, it is unclear if this is a 'real' reduction or a quantitative reporting issue.
- There appears to be a misalignment and/or lack of integration and linkages between SEDA, SEFA the Gauteng Enterprise Propeller and municipal enterprise development programmes (Gauteng DLGH, End of Term Report 2006-2011).

Informal business by its very nature, informal economic activity is largely unrecorded, and is therefore difficult to measure, but some estimates valued the informal economy at around 28% of South Africa's GDP. Therefore, the size of the informal economy could be estimated at around R160billion, with an estimated value 2.5 times as large as the contribution of the entire agricultural sector, or 70% of the contribution of the mining sector to GDP (SALGA, SA LED Network, 2015– Informal Economy).

The informal economy, therefore, must form a key component of strategies to address unemployment and poverty and to support the creation of sustainable livelihoods. There is a wide range of economic activities included in the informal economy such as street vendors, hairstylists, taxi drivers, waste recyclers and home-based care workers, making it as diverse as the formal economy. Retail activity dominates the informal economy with trade of goods and services being the most important sub-sector (approximately 60% of all employment in the informal economy is in this area). The dominance of trade is a characteristic which makes the South African informal economy different to other African countries.

It is estimated that 30% of informal trade occurs in Gauteng. Local government has the authority to create by-laws relating to informal trading, and municipalities are empowered to regulate street vendors, pedlars and hawkers. However, to enable this sector to prosper, municipalities are challenged to provide more developmental and inclusive informal economy policies and by-laws (*Department of Small Business Development, Strategic Framework for the implementation of the National Informal Business Upliftment Strategy (NIBUS) at Local Government level, 2015*)

2.7.3 KEY OBSERVATIONS ARISING FROM THE REVIEW (2000-2016)

In terms of supporting informal business, the following successes have been realised over the period: The development of the informal economy has become increasingly more important in the mitigation of poverty and unemployment in local economies. However, interventions are often focused only on informal traders. Good progress has been made to date in profiling and data-basing informal businesses in townships. (Gauteng DLGH, End of Term Report (2006-2011).

However, the following challenges have been identified:

1) The interventions to develop the informal economy are focused almost exclusively on informal traders – there is a need to understand and support other informal economy sectors, aligned to the Gauteng Informal Business Upliftment Strategy.

2) Municipalities appear to have a shortage of capacity to adequately develop the informal economy (including implementing ILO Resolution 204) – LED capacity needs to be strengthened and developed.

South Africa faces socio-economic problems that need urgent attention, similar to those in other developing countries. The challenges include a very high unemployment rate, skills shortages, high illiteracy rate, an ever-escalating crime rate and rural poverty. Chalera (2007) observes that these challenges are more prevalent in rural communities. SMMEs should be empowered to be able to help solve some of these challenges in South Africa. South African SMMEs are diversified and operate in different industries, including retailing, wholesaling, tourism, mining, farming, manufacturing, construction and service. Similar to SMMEs in other developing countries, SMMEs in South Africa also face challenges that affect their growth and survival. SMMEs in South Africa are facing numerous challenges including lack of funding and lack of access to finance (Rogerson, 2008; Booyens, 2011).

In order to effectively manage the functional areas of small businesses owners must have the necessary skills, which include finance, operations, marketing, planning, human resource and awareness of knowledge management (Monk, 2000). According to the World Bank Report (2001) SMME owners had very little formal skills training. Studies need to identify the key business skills required by entrepreneurs as well as the most effective way of offering the training (Kew, 2002).

2.8.1 Training and SMME performance

The role of quality entrepreneurship development programmes in nurturing entrepreneurial potential amongst citizenry is becoming apparent to policy makers. Kourilsky (1995), theorised that the supply of entrepreneurs can be increased by developing a positive perception about the feasibility and desirability of entrepreneurship through educational preparation at an early age. When rooted in solid learning theory, entrepreneurial education and training develops entrepreneurs, by increasing business knowledge and promoting psychological attributes associated with entrepreneurs (Kruegar & Brazeal, 1994; Walstad & Kourilsky, 1998).

Studies have also shown that entrepreneurs are still striving to grow and are still bedevilled by problems such as low productivity, high rates of business failures, low turnover, and lack of access to capital and credit and labour (Alh, 2004). Entrepreneurs are hindered from potential growth by weak business support, poor managerial and marketing skills, and lack of access to technical support, low availability and high cost of essential technical inputs and credit facilities.

Entrepreneurship training is designed to develop skills, knowledge and attitude which enable entrepreneurs to start a new business or expand an existing one. Mayuran, (2016) argues that the performance of enterprises depends on number of factors including internal and external factors. Entrepreneurship training is an internal factor that has influence on performance of the small enterprises.

According to research done by Kithae (2013), entrepreneurship training was found to have had a substantial impact on the performance of entrepreneurs. Further, constant monitoring was found necessary to make the skills learnt be translated into more practical work, even though, they are not able to translate their learnt skills due to inadequate finance and lack of monitoring. According to Alarape, (2007), small businesses, whose owner-managers have the experience of participating in entrepreneurship programmes, exhibited superior managerial practice; hence, a higher gross-margin and rate of growth than small businesses whose owner-managers did not have such experiential learning. Training is an important factor that helps entrepreneurship development. As illustrated in figure 2.2 training programmes induce them to obtain better managerial skills of recordkeeping and accounting of financial transactions, inventory management, marketing of products, competitive aggressiveness and recognising marketing opportunities.

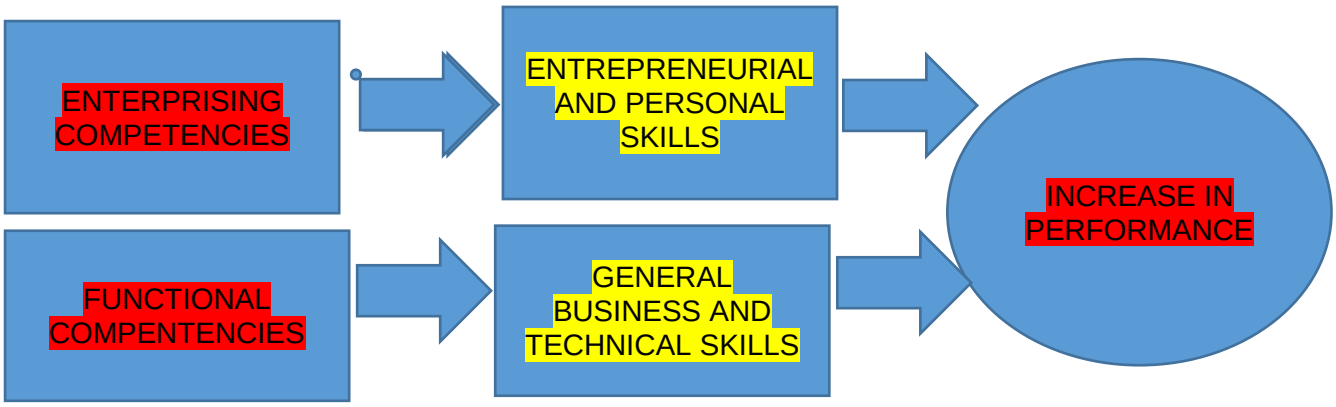


Fig 2.2: The link between competencies and skills (Botha, van Vuuren & Kunene, 2015)

Entrepreneurship influences economic development. Firstly, the process of economic development is "the overall, unintended outcome of a complex of myriad individual acts of entrepreneurial discovery" (Harper, 2003, p.21).It is needless to say that "entrepreneurs can contribute to economic development by facilitating the reallocation of resources from less to more productive uses" (Szirmai et al., 2011). As a development strategy in today's changing economic environment, entrepreneurship has become prominent "especially in the past decade as practitioners recognize the limited number of firms relocating and the resulting competition for these businesses" (Walzer, 2009).

Secondly, entrepreneurship is considered to be "an important mechanism for economic development through employment, innovation and welfare" (Acs & Szerb, 2010). Thirdly, entrepreneurship is "essential to a growing economy in large part because its innovations create demand for new products and services that were not previously available" (Kressel & Lento, 2012). Therefore, government officials frequently search for mechanisms "to enhance entrepreneurial activity in their regions, whether those mechanisms are tax policies, financing subsidies or other tools" (Shane, 2005).The importance of entrepreneurship in business and regional development can be traced to Schumpeter and others early in the twentieth century (Schumpeter 1934; Wilkens 1979) but research on entrepreneurship has grown rapidly in recent years (Low 2001; Schenkel 2006). Entrepreneurship is expected to be stronger in locations with large, vibrant economies.

Researchers have found that agglomeration is key to stimulating economic growth (Krugman, 1991). Density and size tend to create substantial advantages in labour and product markets for both workers and firms that are often attracted to metropolitan places and locations because there is a larger local market to test a wider range of their offerings while also providing a much greater range of resource, financial, and labour inputs. By contrast, smaller

and more remote local economies limit the ability of entrepreneurs to build economies of scale (Dabson, 2001). Lack of economies of scale limits the local demand for products and makes resource acquisition more difficult.

2.8.2 HUMAN CAPITAL THEORY AND ENTREPRENEURSHIP

Investment in general human capital has positive effects on both entrepreneurial entry and performance because it leads to a broad knowledge base which enables individuals to integrate new knowledge and adapt to new situations more easily (Lazear, 2005). In particular, it enhances the individual's ability to discover and exploit opportunities (e.g., Davidsson & Honig, 2003; Unger et al., 2011). However, empirical research linking education to commercial entrepreneurship entry yields a mixed pattern (Lee, 1999). Some studies report that education is positively associated with the likelihood to engage in commercial entrepreneurship (e.g., Arenius & Minniti, 2005; Block et al., 2013; Minniti et al., 2005b; Parker, 2009, 2011). Other studies find no relationship (Van der Sluis et al., 2005, 2008). Finally, some research suggests that it is important to consider the type of education: beyond secondary education, higher education may not have an additional positive effect on entry into commercial entrepreneurship (e.g., Parker & Belghitar, 2006).

This is possibly due to rising opportunity costs, because more highly educated individuals are likely to be offered managerial jobs in wage employment that like entrepreneurship entail considerable decision latitude and variable incentives — yet entail less risk bearing .Interestingly, there is as yet only limited analysis of the effects of education on social entrepreneurship. Nonetheless, findings available through the Global Entrepreneurship Monitor executive and special topic reports suggest a positive relationship (Bosma & Levie, 2010; Terjesen et al., 2012).

However, studies that explore the education-social entrepreneurship relationship controlling for alternative explanations and using inference statistics are rare (for an exception and confirming a positive relationship (Van Ryzin et al., 2009). Given its broader scope, higher levels of education may be particularly important to identify and exploit opportunities for social entrepreneurship.

While investment in education is likely to increase the returns to commercial entrepreneurship relative to alternative occupations, these returns may be even higher in social entrepreneurship. Note that to conform to the objective of social welfare maximisation for social entrepreneurs, returns must be defined broadly to incorporate the overall value generated by the enterprise, whether the residual is captured privately or not.

Psychological approaches stress that education, and especially higher education, has a two-fold socialising effect. It enhances flexibility, openness and independent thinking (Kohn & Schooler, 1983; Schwartz, 2006) — as also emphasised by economic approaches. In addition, higher education has been found to enhance other-regarding values and engagement in self-initiated, prosocial actions such as volunteering and political activism (Abramson & Inglehart, 1994; Schofer & Fourcade-Gorinchas, 2001; Schwartz, 2006, 2010). Thus, higher education instils preferences and motivations consistent with the core aspiration of social entrepreneurs to contribute to the welfare of others and to create societal wealth (Stephan et al., 2015).

These motivations are less likely to sit comfortably with commercial entrepreneurship (Lukes & Stephan, 2012; Noseleit, 2010). Thus, we argue that higher levels of education may have a more pronounced effect on social as against commercial entrepreneurs. This is because socialisation element of education might favour both a better understanding of the more complex nature of social entrepreneurial opportunities and the objective of social welfare maximisation rather than profit maximisation, introducing a 'pro-social bias' (Nga & Shamuganathan, 2010). As illustrated in figure 2.3 taken together, the socialising effects of education and human capital theory lead us to expect relatively stronger effects from education (general human capital) on social than commercial entrepreneurship: (i) adopting other-regarding values is a necessary condition of social entrepreneurship; and (ii) the latter also requires a broader set of skills conducive to identifying opportunities in producing positive external effects.

Human Capital Theory

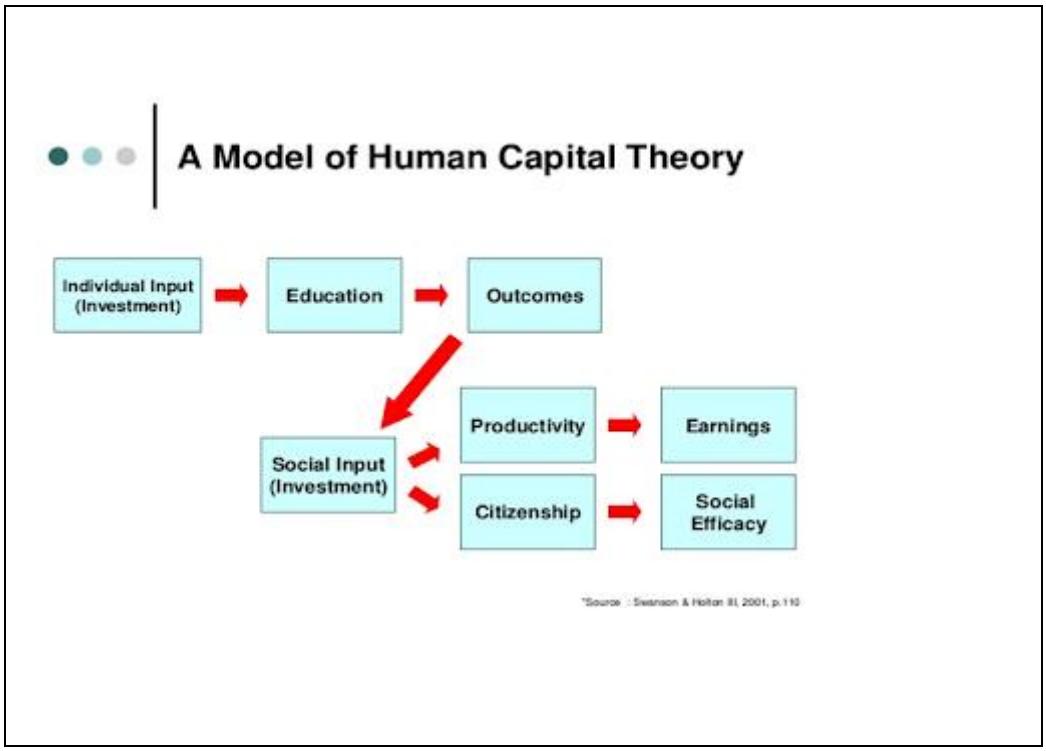


Fig 2.3: Source Swanson and Holton (2001, p. 110)

Hypothesis (H1)

There is a positive relationship between Training and SMME performance in the City of Johannesburg Metropolitan Municipality

2.9.1 Preferential Procurement and SMME Performance

Different scholars attach different meanings to the term “procurement”. It is referred to, amongst other things, as a business function with an economic activity, a business process in a political system, and a strategic profession.

Sherman (1991) defines procurement as “a business function charged with and qualifying external sources, forming agreements, and administering them so that material and services that enhance the work of the organization are reliably delivered”. As an economic activity, procurement refers to the economic relationship between a vendor and a purchaser and, to the extent that transactions occur in the context of a market order, that relationship is determined by the laws of the market (Trepte, 2004).

According to Beste (2008), procurement is also a management function carried out proactively as a value-adding process by a specialised purchasing department or unit. De la Harpe (2009) prefers the definition of procurement provided by the African Development Bank, which sees procurement "as a process of acquiring goods, works and services resulting in the award of contracts under which payments are made in the implementation of projects, in accordance with the governing rules and procedures and guidelines of the financing agency or agencies".

Section 217 of the Constitution of the Republic of South Africa states that when an organ of state in the National, Provincial or Local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. Furthermore, it stipulates the need to implement a Procurement Policy that will provide for categories of preference in the allocation of contracts; and the protection or advancement of persons, or categories of persons disadvantaged by unfair discrimination.

The Preferential Procurement Policy Framework Act (PPPFA) was enacted as a result of the aforementioned Section of the Constitution. The purpose of this act is to enhance the participation of Historically Disadvantaged Individuals (HDIs) and the small, medium and micro enterprises (SMMEs) in the public sector procurement system. The PPPFA stipulates that when government assesses contracts, it must take into account a preference point system which prescribes functionality, price and reconstruction development programme (RDP) goals.

When procurement is used as a social tool, procurement preference allows tax money to be returned to domestic residents, create more jobs, and reduce imports (Miyagiwa, 2006) and Arrowsmith (1996) suggests that the protection of some industries is largely a political consideration, rather than a genuine way to address economic concerns. South Africa has a history of discriminatory and unfair practices, where certain groups were marginalised and prevented from accessing government contracts (Bolton, 2006). In an effort to address these imbalances, the Preferential Procurement Policy Framework Act, 5 of 2000 (RSA, 2000c), was approved.

In December 2006, when the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice were approved for gazetting, Cabinet directed the Department of Trade and Industry, and National Treasury to amend the PPPFA, so as to advance the objectives of the B-BBEE Act No 53 of 2003 as Amended by Act 46 of 2013 (BEE Act) and its related strategy, as these two pieces of legislation were not appropriately aligned.

The above-mentioned process led to the amendment of the Preferential Procurement Regulations to align themselves to the B-BBEE Codes of Good Practice (the DTI, 2017)

The Office of the Chief Procurement Officer stated that the amendments are aimed at providing a mechanism to assist certain targeted categories of people. The 2017 regulations have retained many of the provisions of the 2011 regulations, with the following notable changes:

- the threshold for the 80/20 preference point system has increased from tenders with a value of up to R 1 million to those with a value of up to R 50 million and that of the 90/10 preference point system has increased from tenders with a value of above R 1 million to those with a value of above R 50 million;
- bidders who are bidding for products and services to the value of R 30 million or more must sub-contract at least 30% of the value of the contract to Exempted Micro Enterprises (EMEs) or Qualifying Small Business Enterprises (QSEs) or a small business as defined in the National Small Business Act, 1996 if this is determined by the organ of state to be feasible;
- an organ of state which imposes the 30% sub-contracting requirement must make a database of all suppliers from the targeted groups available for bidders to choose from;
- organs of state are required to stipulate the objective criteria used when awarding a contract to a party who did not obtain the highest points; and
- the remedies provision was extended to afford bidders suspected of having submitted false information regarding their B-BBEE status an opportunity to make representations and requiring National Treasury to decide whether to add such a bidder to its list of restricted suppliers. (National Treasury, 2017)

Although the 2017 regulations contain aggressive measures to ensure greater economic participation by small and black owned businesses, it is important to note that National Treasury has compromised on some provisions which were initially contained in the draft regulations published on 14 June 2016 such as:

- only requiring the sub-contracting of 30% of the contract value of a tender where the organ of state deems it feasible instead of requiring it in all cases and placing the onus of creating supplier lists on such organs of state;
- deletion of the provision creating a different formula to calculate the points for price in respect of the disposal, sale and letting of property; and
- lowering the increase in the maximum threshold for the 80/20 preference point system and the minimum threshold for the 90/10 preference point system from R100 million to R 50 million.

The Regulations focus on the need by all organs of state and public entities to specify conditions that only locally produced goods or locally manufactured goods meeting the stipulated minimum threshold for local production and content will be considered for certain designated sectors. They also afford organs of state the freedom to choose to apply pre-qualifying criteria to advance certain designated groups.

If applied with the pre-qualifying criteria and sub-contracting requirements, the Regulations could have the far-reaching empowerment effect which its predecessors sorely lacked. If not utilised, there will be pressure on organs of state to motivate why these qualifying criteria and sub-contracting requirements are not being applied.

Small businesses that have been battling to get Government departments to accept their B-BBEE Affidavits when tendering, will be pleased to note that the Regulations now clearly stipulate that an Affidavit as prescribed by the B-BBEE Codes of Good Practice is acceptable proof of B-BBEE status. Sworn Affidavits and SANAS Accredited B-BBEE Verification Agency certificates are the only acceptable form of proof of B-BBEE Status.

The organ of state must make available the list of all suppliers registered on a database, approved by the National Treasury, to provide the required goods or services in respect of the applicable designated groups, from which the tenderer must select a supplier. Prior to 1994, price was the overriding criterion for the procurement of goods and services by the government. Tenders were awarded strictly based on price and the tenderer who submitted the lowest tender (in terms of price) was only overlooked “when there [was] clear evidence that he [did] not have the necessary experience or capacity to undertake the work or [was] financially unsound” (Ministry of Finance and Public Works, 1997, clause 3.4.1). In other words, only if there was a high risk that the lowest tenderer would not complete the contract, was the tender awarded to another tenderer.

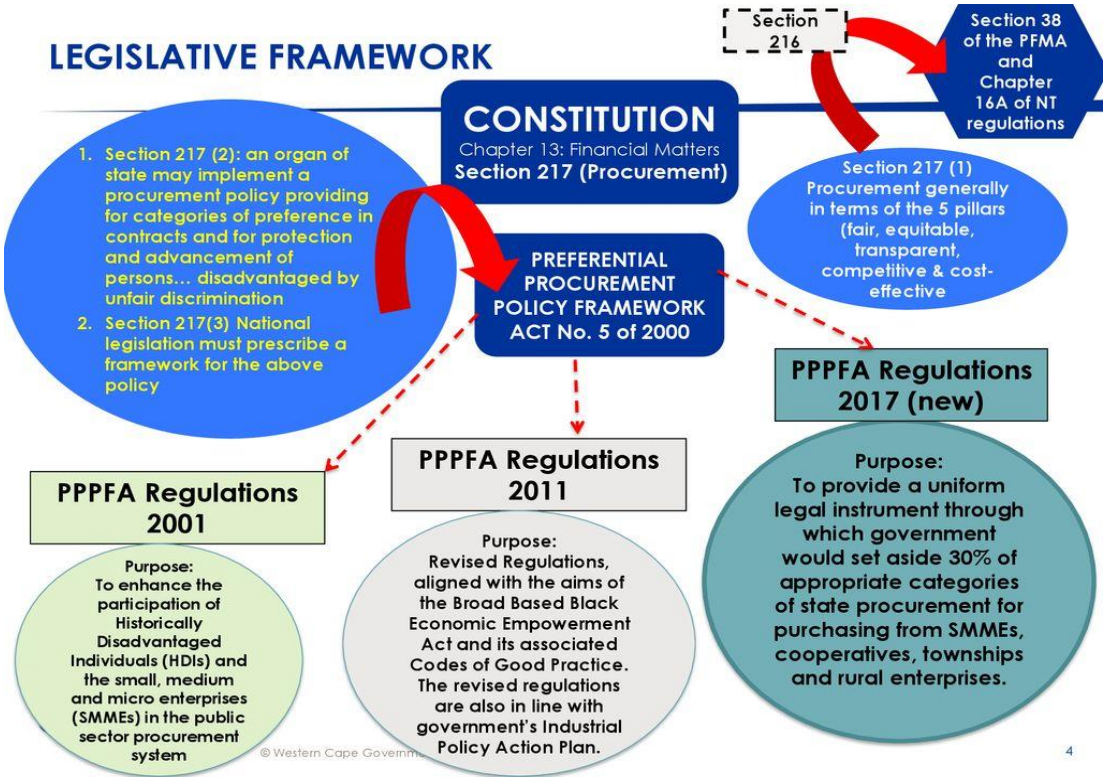


FIG 2.4 Legislative Framework

Source: Adapted from Western Provincial Government - (2017)

Preferential procurement is derived from the equity principle as prescribed by section 217 of the Constitution of the Republic of South Africa Act, 108 of 1996, as illustrated above in Figure 2.4 above. Similar to affirmative action, preferential procurement is the policy of the South African government aimed at redressing the imbalances of the past through the awarding of government contracts. Preferential procurement seeks to advance HDIs in allocating contracts for the provision of goods, services and works for service delivery purposes. Preferential treatment allows an individual's status as a minority to be considered a positive factor among other factors when allocating opportunities and benefits (Starks, 1992; cited in Erasmus, et al., 2005).

Louw (2010) affirms that preferential procurement creates employment and business opportunities to disadvantaged people and communities. However, procurement opportunities that are awarded to emerging enterprises owned by HDIs in Gauteng are still below the provincial target (Hlakudi, 2012).

2.9.2 Value Chain Model

Porter developed the value chain to help identify which activities within the firm were contributing to a competitive advantage and which were not The approach involves breaking

down the firm into five 'primary' and four 'support' activities, and then looking at each to see if they give a cost advantage or quality advantage.

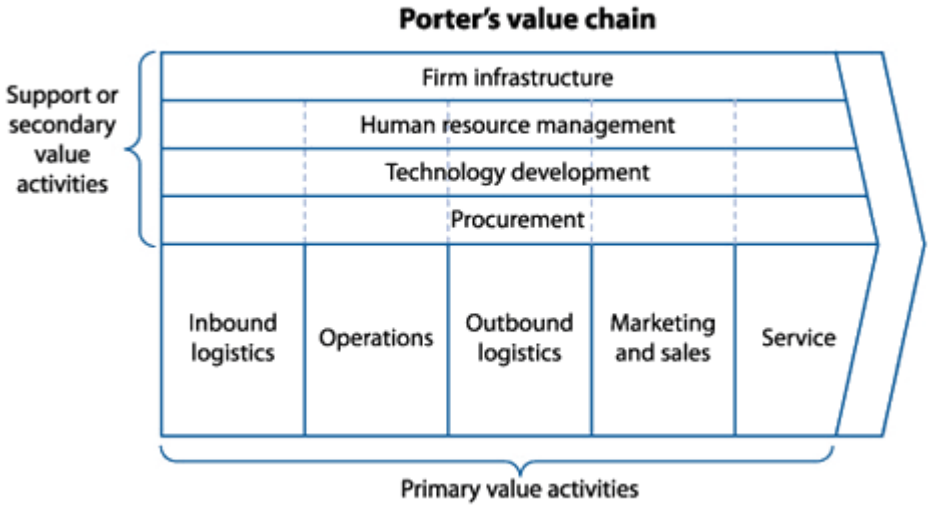


Fig 2.5 Source: Porter's Value Chain

The idea of the value chain as illustrated in Figure 2.5 above is based on the process view of organisations, the idea of seeing a manufacturing (or service) organisation as a system, made up of subsystems each with inputs, transformation processes and outputs. Inputs, transformation processes, and outputs involve the acquisition and consumption of resources - money, labour, materials, equipment, buildings, land, administration and management. How value chain activities are carried out determines costs and affects profits.

Most organisations engage in hundreds, even thousands, of activities in the process of converting inputs to outputs. These activities can be classified generally as either primary or support activities that all businesses must undertake in some form. According to Porter (1985), the primary activities are:

1. **Inbound Logistics** - involve relationships with suppliers and include all the activities required to receive, store, and disseminate inputs.
2. **Operations** - are all the activities required to transform inputs into outputs (products and services).
3. **Outbound Logistics** - include all the activities required to collect, store, and distribute the output.
4. **Marketing and Sales** - activities inform buyers about products and services, induce buyers to purchase them, and facilitate their purchase.

5. **Service** - includes all the activities required to keep the product or service working effectively for the buyer after it is sold and delivered.

Secondary activities are:

1. **Procurement** - is the acquisition of inputs, or resources, for the firm.
2. **Human Resource management** - consists of all activities involved in recruiting, hiring, training, developing, compensating and (if necessary) dismissing or laying off personnel.
3. **Technological Development** - pertains to the equipment, hardware, software, procedures and technical knowledge brought to bear in the firm's transformation of inputs into outputs.
4. **Infrastructure** - serves the company's needs and ties its various parts together, it consists of functions or departments such as accounting, legal, finance, planning, public affairs, government relations, quality assurance and general management. (Rowe et. al.1994)

Hypothesis 2 (H2)

There is a positive relationship between Preferential Procurement and SMME Performance in the City of Johannesburg Metropolitan Municipality

2.9.3 Methods used to implement preferential procurement

Table 2.4 below presents and reflects on different methods that are used to implement preferential procurement.

Set Aside	Only the enterprises with specific characteristics required by the procuring entity are allowed to compete for contracts reserved for their exclusive execution.
Qualifications criteria	Enterprises that do not meet specified requirements relating to PP Policy objectives are excluded from participating in contracts other than those provided for in the law.
Contractual conditions	The method makes policy objectives a contractual obligation. The contractor that is awarded the contract through a competitive bidding process is required to subcontract a percentage of the contract to SMMEs or form a joint venture with a company owned by HDIs.
Offering back	The procuring entity offers tenderers that satisfy criteria relating to policy objectives an opportunity to execute the contract or part of the contract if that tenderer is prepared to match the price and quality of the best tender received.
Product or service specification	The procuring entity state requirements in product or service specifications, e.g. by specifying labour- based construction methods where procurement is used as a policy tool for employment creation. In South Africa, all contracts under the Expanded Public Works Programme (EPWP) have mandatory condition for the excessive use of labour, unskilled labour in particular, to create job opportunities for the poor.

Preferences at the short listing stage	Limit the number of suppliers or service providers who are invited to tender on the basis of qualifications and give a weighting to policy objectives along with usual commercial criteria, such as price and quality, at the short listing stage.
Tender evaluation criteria	The procuring entity gives a weighting to PP Policy objectives along with usual commercial criteria, such as price and quality, at the award stage.
General assistance	The government in South Africa provides assistance for targeted groups to compete for business. The support is evident in the SMME support agencies established in South Africa.

Table 2.4: Methods used to implement preferential procurement

Source: Watermeyer- (2003)

2.10 Infrastructure and SMME Performance

The City of Johannesburg Metropolitan Municipality has mixed use developments to stimulate economic activity and create opportunities for emerging entrepreneurs, linked to developing integrated access to a range of social amenities (Parks, Public Business Spaces, SEZ &IDZ. The City Deep area has been declared an IDZ (industrial development zone) by the Gauteng government.

Infrastructure is one of the most critical factors for economic development because it interacts with the economy through the production processes and changes in the quality of infrastructure available for production will greatly impact the production and performance of an organisation's levels of output, income, profits and employment creation in the economy. This is because of its direct link with the productivity (Adenikinju & Kessides 2005).

Despite the direct link between the availability and quality of infrastructure – electricity, portable water and poor road maintenance to economic development (Oseni & Pollitt 2013) – the availability of infrastructure in most developing countries especially in the sub-Saharan African region leaves much to be desired (World Bank, 2014).

The gap in the availability of infrastructure has greatly impacted on the production processes in the manufacturing sector, especially the ability of the SMMEs to compete in the global market.

The literature is complete with evidence that adequate infrastructure provision is a key element in the 'behind the border' agenda required for economic liberalisation to achieve its intended objective of efficient resource allocation, enhancement of investment, increased productivity and export growth. (World Bank, 2014). The performance of SMEs is predicated on the availability of infrastructure which impacts on their competitiveness as infrastructure services affect other factors of production (Kessides, 1993). However, the high set-up costs, long gestation periods and the social nature of infrastructure pay-offs make it unattractive to private sector investment. (Owualah & Obokoh 2008).

Hypothesis 3 (H3)

There is a positive relationship between availability of Infrastructure and SMME performance in the City of Johannesburg Metropolitan Municipality

2.11 Incubation and SMME performance

Small, medium and micro enterprises (SMME's) play a bigger role in South Africa's economy than ever before, giving much needed relief to our growing economy and providing much needed opportunities for employment. Business incubators are now recognised in both developed and developing countries as important instruments for promoting entrepreneurship development and technological innovation at the small and medium enterprise level.

Adegbite (2000) posits that incubators were pioneered in Western Europe and North America and that there are now thousands of business incubators all over the world established with the primary objective of stimulating the emergence of a steady flow of successful small and medium scale enterprises, thereby promoting entrepreneurship and innovation in particular and socio-economic development in general. Within this context, business incubators have established a successful track record in Western Europe and North America over the past two decades and are now recognised as being one of the most effective ways of promoting entrepreneurial activity and local economic development

Studies to evaluate their performance indicate that they can reduce the failure rate amongst new business start-ups to below 10% over a three-year period, as compared with 60 to 80% for small business generally (Adegbite, 2000).

It is useful at the outset to define and explain the concept of business incubation. A business incubator may be defined as an organisation that facilitates the process of creating successful new small enterprises by providing them with a comprehensive and integrated range of services, including:

- Incubator space in fully built-up factory buildings on flexible and affordable terms.
- The provision of a comprehensive range of common services, including enterprise counselling and training, shared secretarial support, start up financing and assistance with product development and marketing.
- Strict admission and exit rules, which are designed to ensure that the incubator concentrates its efforts on helping innovative, fast growth business start-ups that are likely to have a significant impact on the local economy. Exit rules generally limit tenancy to a period of between three to five years, thereby ensuring a reasonable turnover of tenants.
- Professional management, which involves monitoring tenant businesses closely against their business plans and ensuring that the incubator itself operates in a business-like fashion with the prospect of becoming financially self-sustaining.
- "Hands on" assistance, including R&D advice and risk capital, usually through a network of external providers. By providing entrepreneurs with the foregoing services on a 'one-stop' basis and enabling tenants to reduce their overhead costs by sharing facilities, business incubators are able to significantly improve the survival and growth prospects of new start-ups (Adegbite, 2000).

2.12 INCUBATION ECOSYSTEM

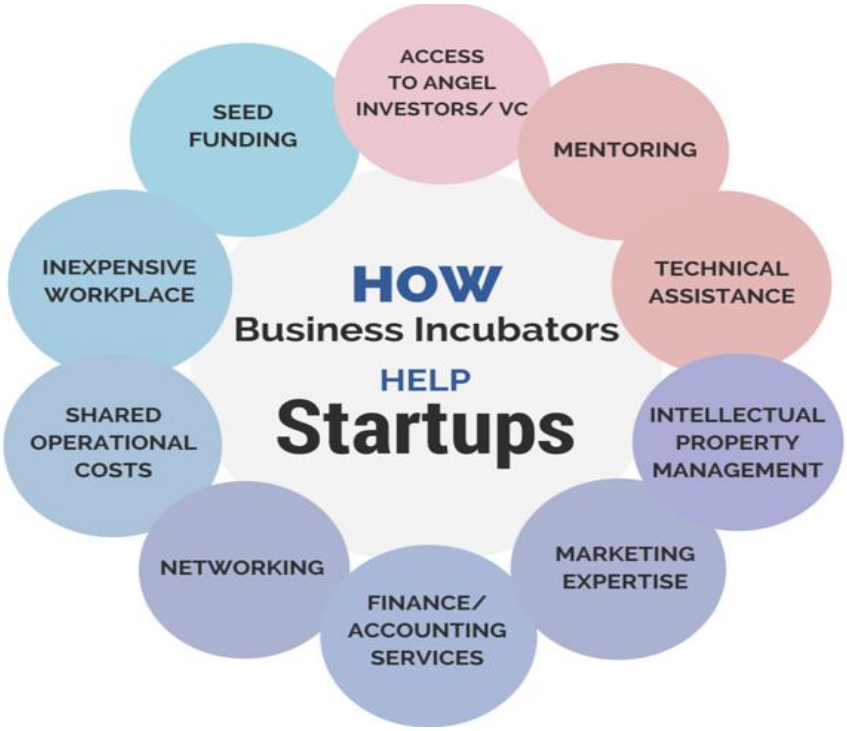


Fig 2.6 Source: www. inventiva.co.in

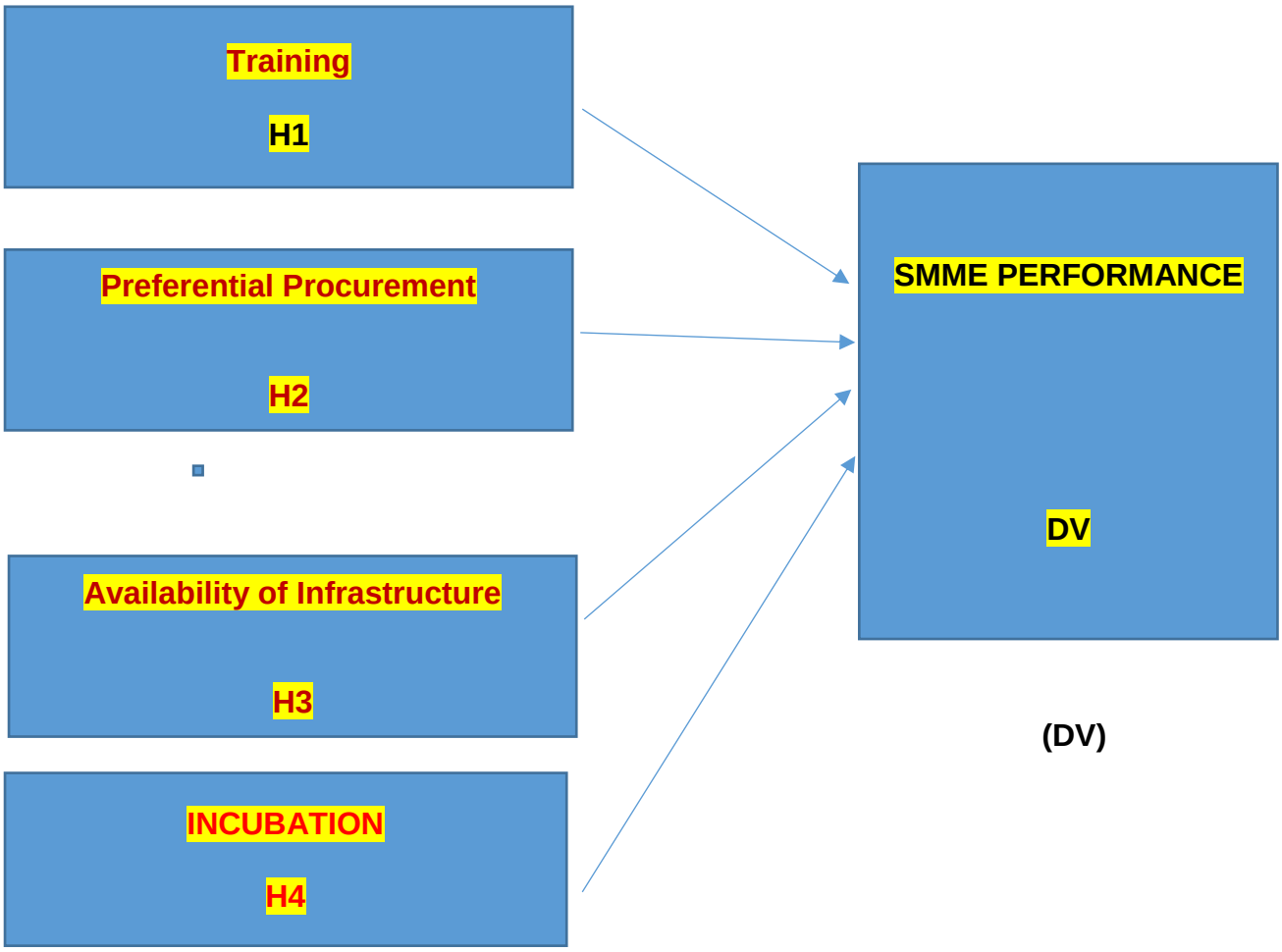
Hypothesis 4 (H4)

There is a positive relationship between Incubation and SMME performance in the City of Johannesburg Metropolitan Municipality

2.13 Hypothesized research model

LED FRAMEWORK

Fig 2.7 depicts the hypothesized model between, independent and dependent variables in the City of Joburg Metropolitan municipality.



Key: IV: Independent Variable DV: Dependent Variable H: Hypothesis

Fig: 2.7 CONCEPTUAL FRAMEWORK MODEL

2.14 CONCLUSION OF THE LITERATURE REVIEW

This research report has presented the relationship between, Entrepreneurial Training, Preferential Procurement, Availability of Infrastructure, and SMME performance. Also it presented the Local Economic Development background, and theories, and issues of developmental local government as envisioned in the various neo-liberal economic approaches implemented by the ruling party in South Africa to redress the economic imbalances of the past and to propel the country's economy for growth.

In furtherance, strategic management underscores the importance of managers working with elected officials and the political environment, as well as with other external stakeholders, to develop and enact policy. Similarly, the proponents of hybrid powered governance seek new governance processes that promote increased collaboration among government, private sector, civil society, and citizens. Aoyama and Parthasarathy (2016), posit that the type of collaboration enhances democratic decision making; and promotes decisional legitimacy, consensus, citizen engagement, public dialogue, reasoned debate, higher decision quality, and fairness among an active and informed citizenry.

Scholars have researched Local Economic development before, but this study aims to investigate the performance of the Local Economic Development Framework Policy with regard to impact on Entrepreneurship Development and Performance in the City of Johannesburg Metropolitan Municipality, more specifically the relationship between Training, Preferential Procurement, Availability of Infrastructure and Incubation. Through empirical research, the study looks to see if these variables are correlated. Based on the literature reviewed, hypotheses of the relationships between variables were formulated for this research as follows:

Hypothesis 1 H1

There is a positive relationship between Training and SMME performance in the City of Johannesburg Metropolitan Municipality

Hypothesis 2 H2

There is no positive relationship between Preferential Procurement and SMME performance in the City of Johannesburg Metropolitan Municipality

Hypothesis 3 H3

There is positive relationship between availability of Infrastructure and SMME performance in the City of Johannesburg Metropolitan Municipality

Hypothesis 4H4

There is a positive relationship between Incubation and SMME performance in the City of Johannesburg Metropolitan Municipality

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter provides a discussion of the methodology that was used to address the research question. The processes that were outlined in this research report could aid in facilitating replication of this study in the future. This chapter flows in the following manner, an explanation of the population of the study, sampling techniques utilised, then an examination of the data collection. Afterwards, data analysis methods are explained, followed by the validity, reliability and limitations of the study.

3.2 RESEARCH METHODOLOGY

A positivistic approach was followed in this study. This means that quantitative data was collected to test the hypothesis that was formulated from the theory. This approach follows a scientific method. Empirical research was conducted in this study, mainly to investigate the relationship between the independent and dependent variables as guided by theoretically derived hypotheses. Based on the hypotheses formulated for this study, it was assumed that there would be a positive relationship between the independent variables and the dependent variable; hence, a positivistic research approach was suitable for this study.

3.3 RESEARCH DESIGN

When choosing the design concerning how to collect the necessary information needed to answer the research questions, there are three factors that should be considered: previous experience from field of research, knowledge with regard to theoretical studies that identify relevant variables, and the level of ambition regarding correlation between variables (Gripsrud, Olsson & Silkoset 2010). This study was quantitative in nature. A cross sectional research approach was deployed in this study wherein sampling and data were collected through questionnaires with suppliers for analysis. In order to achieve practical result from the research, one has to have a sizable sample of respondents in order to validate the data coming out of the study with a limited amount of time. Primary survey data were used to find and test relationships between variables.

3.3.1 Population frame

The City of Johannesburg metropolitan municipality's Group Strategic Supply Chain Management is responsible for managing the Supplier Database for SMME's and Corporations doing business with the Municipality. There are over 4000 service providers and corporations registered within the City of Johannesburg Metropolitans' Supplier Database from which the researcher randomly selected the respondents.

The respondents were anonymously surveyed through a specifically designed questionnaire that was sent through the COJ supplier database, using the email addresses they provided when they applied to be included in the supplier database. These questionnaires were sent to SMME's and Corporations registered in the City of Johannesburg metropolitan municipality's' Group Strategic Supply Chain Management supplier database. In the population, the researcher, used, a variety of tender briefing information sessions meetings. A briefing is designed to provide information quickly and effectively about a tender or a request for proposal that the organisation wishes to procure. It is often used to influence decisions or offer solutions. Briefings can be delivered as short written documents or presented in person. These questionnaires were distributed in these briefing sessions to the respondents. A total of 300 respondents who aspire to do business or who are doing business with the City of Johannesburg Metropolitan Municipality, making up the population were targeted to participate.

3.3.2 Sample Respondents and Sampling Method

The sample of respondents, selected based on random sampling, consisted of City of Johannesburg Supplier Database which consists of SMME's and Corporations. 300 questionnaires were sent out to respondents randomly who are in the City of Johannesburg Supplier database, through digital channels, to be considered for analysis and for the service providers attending briefing information sessions, the researcher used convenience sampling by distributing to entrepreneurs attending briefing, they were randomly selected, and 250 questionnaires were given to respondents to complete for analysis. The City of Johannesburg Supplier Database makes provision for SMME's to indicate their level of BBBEE status and their annual turnover. The researcher had to draw, filter and run a report in the following manner, B-BBEE Status Level of Contributor, B-BBEE Procurement Recognition, Black Ownership, Black Woman Ownership and total annual turnover for the company, and this assisted the researcher to separate SMME from big Corporations. As illustrated in Table 3.1 below is the summary of the survey:

Variable	Description
The unit	Service providers aspiring/doing business with City of Johannesburg Metropolitan Municipality
Population Size	4000 registered service providers, and patrons attending tender briefing information sessions
Geographic Survey	Johannesburg, South Africa
Sample Respondents	550
Sampling Error (Confidence Level)	95%

Table 3.1 Summary of the Survey

3.4 The research Instrument

George and Mallery (2016) posit that one of the first steps for selecting a valid survey instrument for a quantitative research topic is to narrow down the variables of interest. The research instrument that was used was a survey questionnaire which consisted of multiple-choice questions divided into sections. The first section established the demographic information of the participants such as age, gender, the level of education, role in the organisation, etc. The next set of questions dealt with entrepreneurial orientation and the impact of LED policy in the City of Johannesburg Metropolitan Municipality.

The 7-point Likert-type scale was used in the design of the questionnaire. Research confirms that data from Likert items (and those with similar rating scales) becomes significantly less accurate when the number of scale points drops below five or above seven. (Johns, 2010). Malhotra et al. (2004) cited that 7-point Likert-type scale is user-friendly for both the researcher and the respondent as illustrated in Table 3.2. The former would be able to develop and administer the scale whilst the latter would be able to complete it because of its simplicity to be understood, irrespective of whether it is delivered by mail or electronically. Furthermore, the Likert-type scale, which is also considered the most universal method of survey, is more reliable and will provide a greater volume of data compared to other scales (Cooper & Schindler, 2012).

STRONGLY AGREE	AGREE	MORE OR LESS AGREE	UNDECIDED	MORE OR LESS DISAGREE	DISAGREE	STRONGLY DISAGREE

Default choice order and coding for built-in Disagree - Agree scale in Qualtrics

Table 3.2 Sample of a 7 Likert Scale

3.4.1 Reversal of the scale

Qualtrics has many built-in scales for multiple choice items. These were accessed by clicking the **Automatic Choices** option in the sidebar menu. When using Qualtrics's Automatic Choices for Likert-scale multiple choice items, the response options are always ordered from "positive" to "negative". Additionally, "positive" answers are coded using smaller numbers, while "negative" answers are coded using larger numbers. Another way of thinking about this, is that "positive" answers have a lower score, while "negative" answers have a higher score. For example, Qualtrics's built-in automatic scale for Disagree-Agree scales uses the following order and coding as illustrated in Table 3.3 below:

STRONGLY AGREE	**AGREE**	**MORE OR LESS AGREE**	**UNDECIDED**	**MORE OR LESS DISAGREE**	**DISAGREE**	**STRONGLY DISAGREE**

Table 3.3: Default choice order and coding for built-in Disagree - Agree scale in Qualtrics

The **Automatic Choices** menu has an option, **Reverse Order**, to reverse-order the items. This means that the responses will be listed from "negative" to "positive". This will also change the coding order, so that the "negative" answers are coded using smaller numbers, and the "positive" answers are coded using large numbers.

The statistician reversed the scale before the data analysis was conducted, and the 7-point Likert scale was coded as follows and also as illustrated in Table 3.4:

I. Strongly disagree = 1
II. Disagree = 2
III. More or less disagree = 3
IV. Undecided = 4
V. More or less agree = 5
VI. Agree = 6
VII. Strongly agree = 7

Order choice and scoring for reverse coded Disagree - Agree scale in Qualtrics

STRONGLY DISAGREE	**DISAGREE**	**MORE OR LESS DISAGREE**	**UNDECIDED**	**MORE OR LESS AGREE**	**AGREE**	**STRONGLY AGREE**
1	2	**3**	4	5	6	**7**

Table 3.4 Coded Sample 7 Point Likert Scale

3.5 Procedure for Data Collection

The primary data used for empirical analyses were collected through a survey using a structured research instrument. All primary data used for empirical analyses were collected between October, November and mid - December 2018.

Data collection methods applied ranged from distributing survey questionnaires to 250 respondents attending a variety of briefing information sessions for them to complete, and 300 questionnaires were sent to City of Johannesburg Metropolitan Municipality Supplier database of which Group Supply Chain Management is the custodian. There are 4000 SMME'S and Corporations in the City of Johannesburg Supplier database.

The total target sample of respondents was 550 and the final sample from successful survey returned questionnaires was 421.As part of the process of analysing and interpreting data, the first step taken was the editing of raw data, with the view of identifying errors and omissions; where possible, and these were corrected prior to being analysed. The data was analysed using statistical techniques such as multivariate analysis and descriptive statistics. In this regard, the testing of the hypotheses was conducted through the multivariate technique, specifically, regression analysis and correlations, the data was presented in the form of graphs and tables to unpack the different constructs being tested. The demographic data was analysed on educational statistics, race, gender, service, etc.

3.6 Data Analysis and Interpretation

The data collected from the close-ended questions were organised and analysed using SPSS statistical tool by the qualified statistician. The descriptive and correlational analysis was used to analyse the data. The focus of the research was to look at the performance of Local Economic Development with regard to the impact of Entrepreneurial development and Performance in the City of Johannesburg Metropolitan Municipality. The tables were drawn and the data was depicted in the form of statistical tables, bar graphs, pie charts and analysis models, etc.

3.7 Descriptive Analysis

The data were analysed descriptively in terms of measures of central tendency and measures of variability. A measure of central tendency includes the mean, median and mode. A measure of variability includes standard deviation, skewness and kurtosis. Descriptive analysis of data is necessary as it helps to determine the normality of the distribution. Descriptive analysis of data limits generalisation to a particular group of individuals observed. No conclusions extend beyond this group and any similarity to those outside the group cannot be assumed. The data

describe one group and that group only. Much simple action research involves descriptive analysis and provides valuable information about the nature of the particular group of individuals (Best & Kahn, 2003).

3.8 Correlational Analysis

The study aims to understand the association between Training, Preferential Procurement and availability of Infrastructure and Incubation with regards to Performance. It furthermore wants to check the relationship between these independent variables and the dependent variable.

If correlation is found between two variables it means that when there is a systematic change in one variable, there is also a systematic change in the other; the variables alter together over a certain period of time. If there is correlation found, depending upon the numerical values measured, this can be either positive or negative (Best & Kahn, 2003). Where correlations were evident, the direction and the strength of the relationship were determined. Results from correlation analysis are presented in Chapter 4.

3.9 Exploratory Factor Analysis

The exploratory factor analysis retained all three items that were under the Training construct and they were all retained in one factor. The retained factor explained 68% of variation in the initial three items. Preferential Procurement also retained all three items that were initially allocated to the construct. The retained construct explained 62% of variation in the initial items. The Infrastructure construct retained two factors. These are Infrastructure factor 1 and Infrastructure factor 2. The two factors explained 68% of variation in the initial items.
Exploratory factor analysis for Incubation and Performance constructs indicated that the items within those scales could not be grouped together. Thus, an item was chosen to represent each construct.

The EFA analysis was used to clearly identify the four variables Training, Preferential Procurement, Infrastructure and Incubation. Then the EFA tested the relationship between these variables and levels of the highest association between the four variables. These variables were then tested against the dependent variable, being Performance and whether there is an association between each of the four and Performance. This tests whether the different measures are tapping aspects of a common dimension (Field, 2009).

Exploratory factor analysis is a statistical technique that is used to reduce data to a smaller set of summary variables and to explore the underlying theoretical structure of the phenomena. It is used to identify the structure of the relationship between the variable and

the respondent. While factor analysis has origins dating back 100 years through the work of Pearson and Spearman, the practical application of this approach has been suggested to be in fact a modern occurrence. As Kieffer (1999, p: 2) noted, “Spearman, through his work on personality theory, provided the conceptual and theoretical rationale for both exploratory and confirmatory factor analysis. Despite the fact that the conceptual bases for these methods have been available for many decades, it was not until the wide-spread availability of both the computer and modern statistical software that these analytic techniques were employed with any regularity”. Factor analysis is commonly used in the fields of psychology and education and is considered the method of choice for interpreting self-reporting questionnaires.

Factor analysis is a multivariate statistical procedure that has many uses. Firstly, factor analysis reduces a large number of variables into a smaller set of variables (also referred to as factors). Secondly, it establishes underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement of theory. Thirdly, it provides construct validity evidence of self-reporting scales Nunnally (1978).The Exploratory Factor Analysis was used to clearly identify the four variables outlined above.

3.10 Validity and Reliability Analysis

The reliability of the scale for the four constructs was assessed using Cronbach’s alpha. An alpha value >0.9 is an indication of excellent reliability (internal consistency), >0.8 signifies good reliability, 0.7 is acceptable reliability, >0.6 is questionable, >0.5 is poor while < 0.5 is unacceptable. The validity of the constructs was tested using Exploratory Factor Analysis.
Reliability reflects consistency and replicability over time. Furthermore, reliability is seen as the degree to which a test is free from measurement errors, since the more measurement errors occur the less reliable the test (McMillan & Schumacher, 2001, 2006)**.** The more errors found in an assessment the greater its unreliability, and vice versa. Reliability is a very important factor in assessment and is presented as an aspect contributing to validity and not opposed to validity.

Validity refers to the appropriateness of the interpretations that can be made with the survey responses. The three primary measures of validity for data collection instruments are content validity, criterion validity, and construct validity. Content validity refers to whether an instrument appears to be measuring what it is intended to measure. To assess content validity, a researcher will frequently ask recognized experts in the field to provide their opinion on the applicability of the instrument. To assess criterion validity, the measures from a previously validated instrument are compared to the new instrument.

George and Mallery (2016) maintained that reliability, also known as internal consistency, it refers to the degree that a set of survey questions measure a similar characteristic and research reliability refers to the extent the research can be replicated. As part of ensuring reliability, the prepared questionnaires were circulated for pilot study purposes. The research instrument was piloted before conducting data gathering. The pilot study helps reveal research design errors, as well as improper control of environmental conditions (Cooper & Schindler, 2014).

For the pilot study, a list of 20 entrepreneurs in the City of Johannesburg Metropolitan Municipality was gathered through a survey questionnaire. The pilot was based on the Local Economic Development Framework. The research instrument, together with the cover letter and consent form, were attached in the survey questionnaire to owner/managers of the identified enterprises. A total of 20 completed research instruments were gathered for the pilot study.

A number of the other targeted respondents indicated that they were either no longer with the identified business ventures or were not able to participate. The pilot was conducted mainly to cross-check content of the questions and easiness of asking and responding to the questions in the instrument. The pilot study also helps the researcher rehearse the easiness of asking the questions in the actual survey. From the experienced gained with the pilot survey, questions were clarified in the final survey instrument

3.10.1 External validity

In this quantitative research, the concept of external validity is important because we wanted to be able to say that the conclusions we made in our research could be generalised and will make generalisations (a) to a wider population, and/or (b) across populations, treatments, settings/contexts and time. After all, in quantitative research, the results that were obtained are based solely on a sample.

External validity refers to the extent to which the conclusions of the study can be generalised to a wider population, across populations with different settings or contexts (Cooper & Schindler, 2011). To ensure that external validity was achieved, the sample size the representative in terms of age, race, gender and geographical location. Also, the compilation of the questionnaire was aligned to what the research intended to achieve. In conducting the study, it was necessary that the sample population must be profiled in terms of age, race, gender and geographical location.

3. 10. 2 Internal validity

This research report was conducted in order to determine cause-and-effect relationships, and it was concluded that changes in the independent variable caused the observed changes in the dependent variable. Is the evidence for such a conclusion good or poor? If a study showed a high degree of internal validity, then it was concluded that there is strong evidence of causality. If a study has low internal validity, then it was concluded, that there was little or no evidence of causality. Internal validity concerns the extent to which research findings accurately represent the phenomenon under investigation (Bush, 2002).

3.11 Research ethical issues

As part of this research report, the researcher factored the following ethical considerations:

(a) Informed consent that was obtained from the City of Johannesburg as well as from the participants who participated in the research study. The letter to participants indicated that, should they feel uncomfortable with the study, they would be allowed to discontinue; and

(b) The participants and City of Johannesburg Metropolitan Municipality were assured of the privacy and confidentiality regarding the information that they provided during the study. Ethics in research are critical and non-compliance to them may result in harm to the study, institution and the participants. It is important to ensure that the required ethical standards are upheld at all times.

(c) In the questionnaires distributed to the respondents it designated that the study was conducted on a voluntary basis with the privacy of the participants assured, and it further stated amongst other things that all demographic information (names, age etc.) is confidential and will not be made accessible to any third party, making it unmanageable to single out any single respondent. Each request to participate was sent with a consent letter from Wits Business School, and the consent letter was attached to the questionnaires confirming that the research being conducted was solely for academic purposes.

3.12 Limitations of the Study

This study inevitably had limitations and a nonprobability sampling technique was utilised, which limited the representativeness and generalisability of the results, and a cross sectional approach was used, which affected the findings of the research and, as intentions were developed over time, a longitudinal analysis might have facilitated a better understanding of these constructs.

Analysis methods: This study used correlations and regression analysis which provided invaluable insight into the body of knowledge. The exploration of other methods such as structural equation modelling also provided another perspective on the data received and analysed.

Sampling: The identified sample was reached through the City of Johannesburg Metropolitan Municipality. For the purposes of the study, the core participants were City of Johannesburg Metropolitan Municipality service providers and the City of Johannesburg Metropolitan Municipality supplier database.

3.13 Conclusion

This chapter presented the various research methods that were applied. The study was based on quantitative research methods based on a positivist research paradigm. A survey research instrument was used to gather data to estimate relationships between independent and dependent variables. The data analysis and interpretation were based on descriptive analysis, correlation analysis, exploratory analysis and multiple regression analysis. The first three analysis methods were used to summarise and clean the data for multiple regression analysis. The data was captured and analysed using SPSS statistical module. The findings relating to the relationships, presented in the conceptual framework in Chapter 2, are presented in this chapter including preliminary discussion of the results. The research instrument was compiled using 7-point Likert scale which was reverse coded before the analysis. The next chapter provides a detailed description of the data analysis.

CHAPTER 4: DATA ANALAYSIS- PRESENTATION OF THE RESULTS

4.1 Introduction to Research Process

This chapter presents the results and analyses of the research findings of the study. The analysis sought to relate the results and findings of this study to the literature discussed in previous chapters. This chapter describes the research sample and sample characteristics that formed the basis for the data analysis procedures that were used on the extracted research results. The subsequent sections discuss output procedures such as data and reliability analyses, as well as factor analysis.

4.2 Respondents Characteristics

Results

A total of 394 respondents were in the sample. Of the 394, the sex distribution is summarised below:

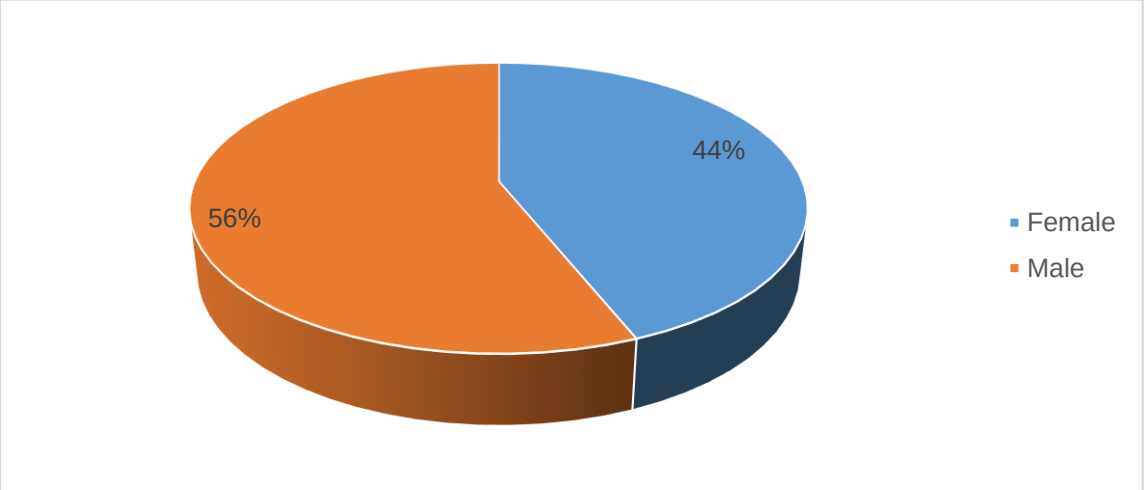


Figure 4. 1: Respondent gender

There were more male (56%) respondents in the sample compared to 44% female respondents, and the highest level of education is summarised in the chart below;

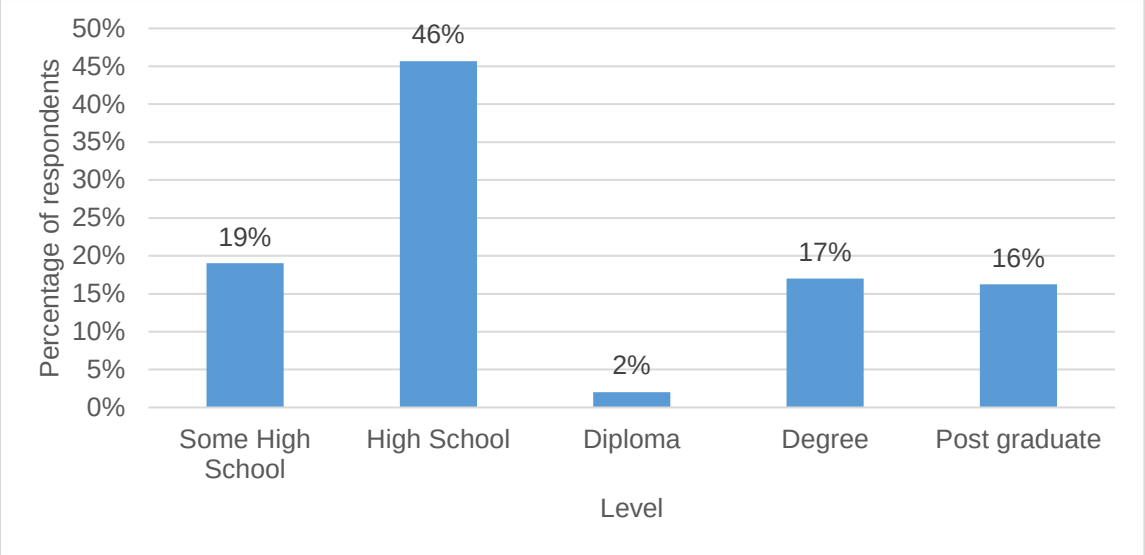


Figure 4. 2: Highest attained level of education

Close to half of the respondents had high school (46%) while 17% had degrees and 16% had post graduate degrees.

A proportion of 56.6% of the respondents had three years and less years of experience while 58% of the businesses represented were 3 years or younger. It can be noted that 69% of the respondents had fewer than five employees. Almost all of the respondents (99.7%, 393 out of 394 respondents) were owners and the other one was a CEO of the organisation. It was established that 84.3% of the businesses were registered with the COJ. Construction was represented by 30.2% of the respondents, 14.5% from Agriculture and 10.2% from Retail**. (See Appendix E).**

4.3 Validity of Constructs

The validity of the constructs was assessed using Exploratory factor analysis (EFA) while the reliability was assessed using the Cronbach's Alpha. The results are summarized as illustrated in Table 4.1 below:

Table 4.1 Validity and Reliability results

			Factor Loading			
Construct	Sub-construct	Item	Factor 1	Factor 1	Total Variance Explained	Cronbach's Alpha
Training		Question 9 City of Johannesburg Municipality invites SMME's and Entrepreneurs for business development seminars/ information sharing sessions	.907		68%	.756
		Question14 City of Johannesburg Metropolitan Municipality Trade and Investment Promotion programmes are effective	.907			
		Question13_R City of Johannesburg Metropolitan Municipality promotes SMME and Enterprise Development Programmes in communities and all regions	.627			
Preferential Procurement		Question 11 City of Johannesburg Metropolitan Municipality Supply Chain Management policies and frameworks are fair and transparent	.858		62%	.605
		Question 12 City of Johannesburg Metropolitan Municipality Supply Chain Management Database is USEFUL to SMMEs and Entrepreneurs	.823			
		Question 7_R My company has benefited from B-BBBE policy (Broad Based Black Economic Empowerment)	.661			
Infrastructure	Factor 1	Question16 Local Economic Development has impacted me in my Entrepreneurial development	.821		40%	.637
		Question15 Local Economic Development Policy has impacted my business development	.754			
		Question8 City of Johannesburg Municipality is investing in SMME's and Entrepreneurial Development	.705			
	Factor 2	Question1 Does City of Joburg Metropolitan Municipality taken any specific measures to help SMMEs in your knowledge		.897	28%	.665
		Question 5 Looking ahead how do you see the prospects of your organisation obtaining business support from the City of Joburg Municipality for your business?		.848		
	Total				68%	
Incubation		City of Joburg Metropolitan Municipality Question10 Local Economic Development/IDP programmes have impacted my business growth	-	-	-	-

Performance		Question 4: How would you rate the effectiveness of City of Joburg in administering Local Economic development programmes	-	-	-	-

4.4 Reliability of the scale

All the Cronbach's Alpha values were above the 0.5 score below which the reliability values become unacceptable. This means that items within a construct cannot be grouped together to form summated scale. It is low because the questionnaire is based on newly developed items. Cronbach is usually accepted in the 0.70s and above.

The summated scale for each construct for Training, Preferential Procurement, Infrastructure Factor 1 and Infrastructure factor 2 was computed by calculating the average of the items within the scale. Incubation and Performance were each represented by one item.

Table 4.2: Descriptive Statistics and Pearson's Correlations

	Descriptive Statistics		Pearson's Correlations					
	Mean	SD	1.	2.	3.	4.	5.	6.
1.Training	4.06	1.36	1					
2.Preferential Procurement	4.86	1.02	-.038	1				
3.Infrastructure Factor 1	4.70	1.58	.707**	-.453**	1			
4.Infrastructure Factor 2	5.80	1.20	-.142**	.165**	-.173**	1		
5.Incubation	4.79	1.82	.624**	-.188**	.678**	-.430**	1	
6.Performance	4.76	2.14	.780**	.250**	.567**	.128*	.500**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Infrastructure Factor 2 (mean = 5.80) was the highest rated construct followed by Preferential Procurement (mean = 4.86) and Incubation (mean = 4.79. The lowest rated construct was Training (mean = 4.06).

It can be noted that there was a positive and significant correlation Performance and each of Training (r = 0.780, p-value < 0.01), Preferential Procurement (r = 0.250, p-value < 0.001), Infrastructure Factor 1 (r = 0.567, p-value < 0.01), Infrastructure Factor 2 (r = 0.128, p-value < 0.05), and Incubation (r = 0.500, p-value <0.01).

4.5 Hypothesis Testing

Multiple regression was conducted to assess the hypotheses with performance as the dependent variable and each of Training, Preferential Procurement, Incubation, Infrastructure Factor 1 and Infrastructure factor 2 as the independent variable. The results are shown below.

Table 4.3: Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.889[a]	.791	.788	.98654	.839
a. Predictors: (Constant), Incubation, Preferential Procurement, Infrastructure Factor 2, Training, Infrastructure Factor 1					
b. Dependent Variable: Performance					

The model summary results show that Incubation, Preferential Procurement, Infrastructure Factor 2, Training, Infrastructure Factor 1 can predict 79.1% of variation of Performance as indicated by an r-square value was 0.791.

The ANOVA Table 4.4 below shows results testing the null hypotheses that none of the independent variables was significant in predicting performance against the alternative hypothesis, that at least one variable was significant in predicting performance.

Table 4.4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1430.467	5	286.093	293.952	.000[b]
	Residual	377.627	388	.973		
	Total	1808.094	393			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Incubation, Preferential Procurement, Infrastructure Factor 2, Training, Infrastructure Factor 1						

The ANOVA table had a p-value of 0.000, which implies that the model was valid and at least one of the independent variables was significant in predicting performance. The contribution of the individual variables is shown in Table 4.5.

Table 4.5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-8.258	.466		-17.710	.000		
	Training	.784	.060	.496	13.167	.000	.379	2.636
	Preferential Procurement	.869	.062	.415	13.999	.000	.613	1.631
	Infrastructure Factor 1	.484	.062	.356	7.835	.000	.260	3.840
	Infrastructure Factor 2	.444	.048	.249	9.326	.000	.756	1.322
	Incubation	.157	.044	.134	3.613	.000	.393	2.543
a. Dependent Variable: Performance								

The assumptions for fitting the regression model were assessed and the results are shown below.

4.6 Validity of the Model

The regression model was valid since the p-value on the ANOVA table was 0.000 < 0.05, which implies that at least one of the independent variables is significant in predicting the dependent variable.

4.7 Testing the Coefficients

For each of the independent variables, test for (i = 1, 2, 3, 4,5).

$H_0: B_i = 0$

$H_1: B_i \neq 0$

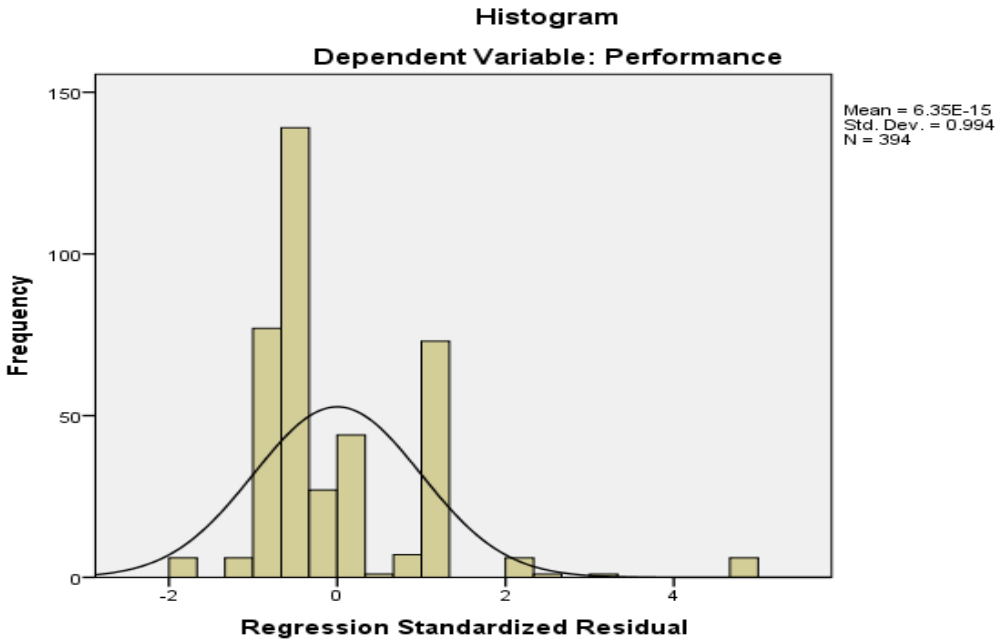
Table 4.6

Variable	Coefficient	P-value
Training	B_1	.000
Preferential Procurement	B_2	.000
Infrastructure Factor 1	B_3	.000
Infrastructure Factor 2	B_4	.000
Incubation	B_5	.000

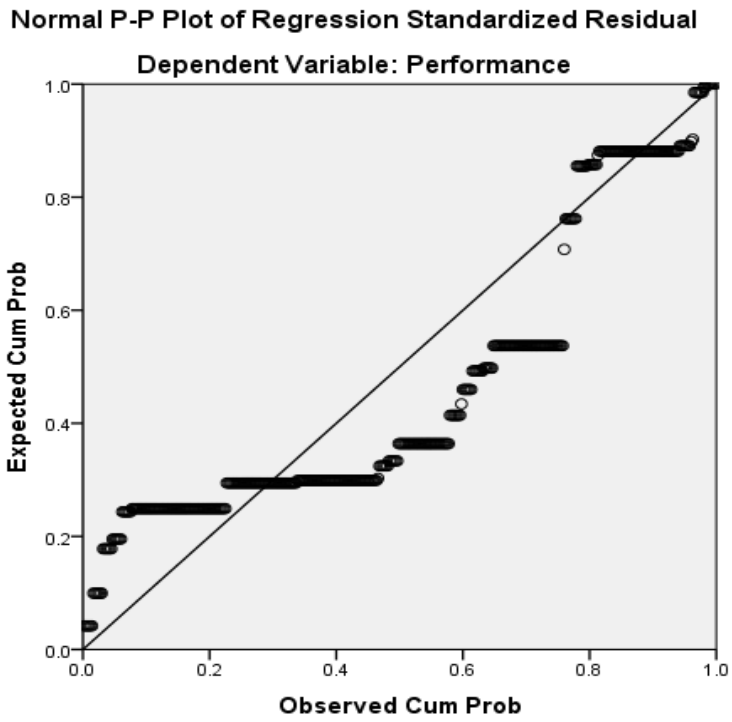
The results show that there is sufficient evidence to suggest that all the independent variables; Training, Preferential Procurement, Infrastructure Factor 1, Infrastructure Factor 2, and Incubation were significant in predicting performance since the p-values were all less than 0.05.

4.8 Test for normality of the error terms

A histogram of the residuals and a Normal P-P plot are presented below to assess the normality of the residuals.



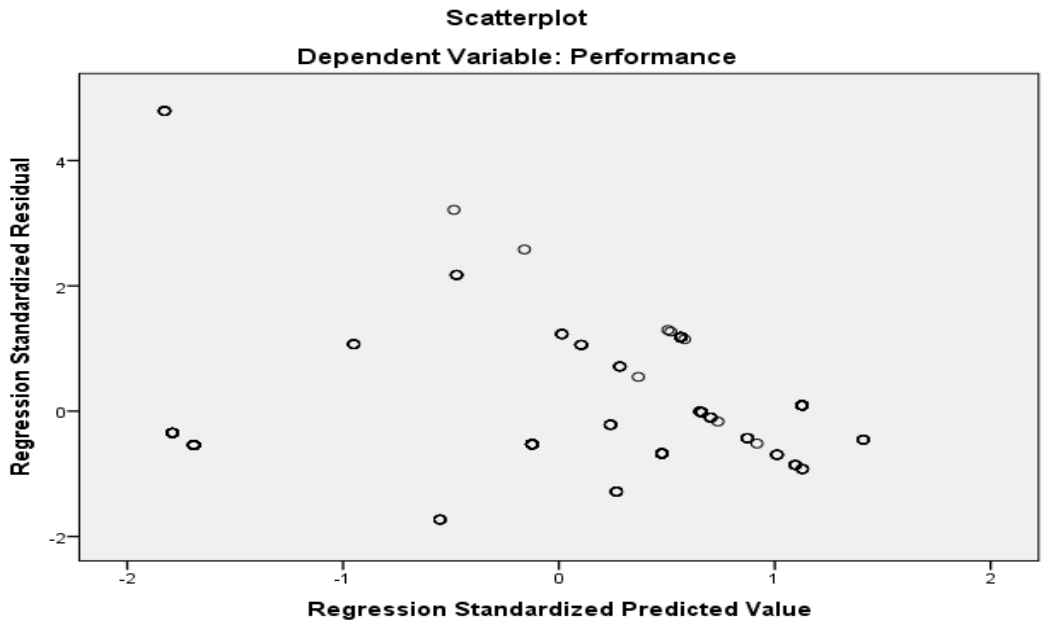
Most of the points are close to the middle and a few points to the extreme ends of the normal curve, thus, the residuals approximate the normal distribution.



The normal P-P plot shows that the points are close to the diagonal line, which implies that the residuals approximate the normal distribution as was indicated with the histogram.

4. 9 Testing for homoscedasticity

The error terms are supposed to be randomly distributed mean of zero. These were plotted against the fitted values to assess whether there is any pattern in the error terms.



It can be noted that the error terms haphazardly scattered all over without any pattern. This indicates that there was no heteroscedasticity, a condition called homoscedasticity as required for regression.

4.10 Test for Multicollinearity

The VIF values shown in the coefficients table were all less than 10, this shows that there was no problem of multicollinearity. The assessing of the condition required for regression indicated that all the conditions were met. This means that the regression model is;

$$\hat{y} = -8.258 + 0.784\,x_1 + 0.869\,x_2 + 0.484\,x_3 + 0.444\,x_4 + 0.157\,x_5$$

where, $\hat{y}$ is the predicted value for Performance, x_1 is Training, x_2 is Preferential Procurement, x_3 is Infrastructure Factor 1, x_4 is Infrastructure Factor 2, and x_5 is Incubation.

Conclusion

This chapter presented the results from the empirical analysis of the data collected for the study. Descriptive statistics and cross-tabulations were used to describe the sample of the study and association between categorical variables in the data. All the Cronbach's Alpha values were above the 0.5 score below which the reliability values become unacceptable. It is low because the questionnaire is based on newly developed items. Multiple regression analyses were used to test the hypothesised conceptual framework of the study. The results presented in this chapter are discussed and explained in the next chapter.

CHAPTER 5 DISCUSSION OF THE RESULTS

5.1 Introduction

The previous chapter presented the statistical results of this study; therefore, this chapter discusses the aforesaid results. It provides a discussion of the results pertaining to the hypotheses of this research. It provides a detailed summary of the hypotheses, it scrutinises the hypothesised model that was proposed in the literature review by counter-proposing an amended hypothesised model that reflects only the significant relationships of the variables.

5.2 Demographic Profile of the Respondents

Survey questionnaires were used to collect data sets for the purposes of analysis, and these developed questionnaires were then distributed to the sample of respondents through tender briefing sessions and City of Johannesburg Supplier Database. The total target sample of respondents was 550 and the final sample from successful survey of returned questionnaires was 421, which was reduced to 394 after data cleaning and all were correctly completed, and 27 were not filled or partially filled, and these 27 were discarded and eliminated in the analysis and interpretation. Of the 550 sent out a total final sample of 394 respondents chosen to voluntary start the survey and began answering the survey questionnaire. The total rate of participation was 71.63%.

5.3 Respondents of Gender

The data showed that there were 56% respondents male and 44% female respondents. These results indicate that there is high gender split with more male respondents.

5.4 Discussion pertaining to hypotheses

Hypothesis 1 (H1)

Results pertaining to hypothesis 1: There is a positive relationship between Training and SMME performance

H0: There is no relationship between Training and SMME performance.

H1: There is a positive relationship between Training and SMME performance

The results in the regression coefficients table show that there is a positive and significant relationship between Training (B = 0.784, β = 0.496, p-value = 0.000) and SMME performance. The relationship is positive because the coefficient for training is positive and the relationship is significant because the p-value was less than 0.05. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. Thus, it is concluded that there is a positive relationship between Training and SMME performance. H1 is supported.

5.6 Hypothesis 2 (H2)

Results pertaining to hypothesis 2: There is a positive relationship between Preferential Procurement and SMME performance

H0: There is no relationship between Preferential Procurement and SMME performance.
H2: There is a positive relationship between Preferential Procurement and SMME performance
The results in the regression coefficients table show that there is a positive and significant relationship between Training (B = 0.869, β = 0.415, p-value = 0.000) and SMME performance. The relationship is positive because the coefficient for Preferential Procurement is positive and the relationship is significant because the p-value was less than 0.05. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. Thus, it is concluded that there is a positive relationship between Preferential Procurement and SMME performance. H2 is supported.

5.7 Hypothesis 3 (H3)

Results pertaining to hypothesis 3: There is positive relationship between availability of Infrastructure and SMME performance

H0: There is no relationship between Infrastructure and SMME performance.
H3a: There is positive relationship between Infrastructure Factor 1 and SMME performance
The results in the regression coefficients table show that there is a positive and significant relationship between Infrastructure Factor 1 (B = 0.484, β = 0.356, p-value = 0.000) and SMME performance. The relationship is positive because the coefficient for Infrastructure Factor 1 is positive and the relationship is significant because the p-value was less than 0.05. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. Thus, it is concluded that there is positive relationship between Infrastructure Factor 1 and SMME performance. H3a is supported.

H3b: There is positive relationship between Infrastructure Factor 2 and SMME performance
The results in the regression coefficients table show that there is a positive and significant relationship between Infrastructure Factor 2 (B = 0.444, β = 0.249, p-value = 0.000) and SMME performance. The relationship is positive because the coefficient for Infrastructure Factor 2 is positive and the relationship is significant because the p-value was less than 0.05. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. Thus, it is concluded that there is positive relationship between Infrastructure Factor 2 and SMME performance. H3b is supported.
Since both H3a and H3b are supported, it can be concluded that H3 is supported. This implies that there is sufficient evidence to suggest that there is positive relationship between Infrastructure and SMME performance.

5.8 Hypothesis 4 (H4)

Results pertaining to hypothesis 4: There is a positive relationship between Incubation and SMME performance
H0: There is no relationship between Incubation and SMME performance.
H1: There is a positive relationship between Incubation and SMME performance

The results in the regression coefficients table show that there is a positive and significant relationship between Incubation (B = 0.157, β = 0.134, p-value = 0.000) and SMME performance. The relationship is positive because the coefficient for Incubation is positive and the relationship is significant because the p-value was less than 0.05. This implies that the null hypothesis is rejected in favour of the alternative hypothesis. Thus, it is concluded that there is a positive relationship between Incubation and SMME performance. H4 is supported.

Conclusion

The purpose of this study relates to the performance of Local Economic Development Framework Policy with regard to the impact of Entrepreneurship Development and Performance in the City of Johannesburg Metropolitan Municipality. This chapter presented a discussion of the empirical findings of the study and conclusions on the hypothesised conceptual framework.

CHAPTER 6: CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS

6.1 Introduction

This research sought to extend knowledge and literature on the Impact of the Local Economic Development Framework on Entrepreneurship Development and Performance in the City of Johannesburg Metropolitan Municipality. This research contributed to this body of knowledge. This chapter provides a review of the findings of this paper. In the introductory chapter of this paper, the researcher proposed to assess the variables. The results of this study are relevant in the local government sphere, especially in the City of Johannesburg Metropolitan Municipality which is where the study is premised.

The research model from the hypothesised relationships suggests that there is positive relationship between independent and dependent variables. This chapter includes a summary of the interpretation of the results, theoretical considerations, and limitations to the research, future research, and recommendations.

6.2 Brief Research Results

A regression analyses supported the relationship of the variables. A multiple regression analysis framework was used to analyse the relationship between the dependent variable and the independent variables. The research tested the multiple regression model.

6.3 Implications of this research

Local Economic Development creates a conducive environment for the emergence of new entrepreneurs, and also assists in creating informal employment at a time when the economy is not growing as expected. LED assists existing entrepreneurs to flourish and grow from small to medium and some even to large, and creates an entrepreneurial spirit among school leavers and graduates, and promotes the growth of entrepreneurs among the previously disadvantaged communities and self sufficiency

Coffey and Polse (2007) posit that the bases of the local economic development approach lie in its complementarity with three traditional pillars of regional theory and policy: capital and infrastructure policies; migration as an adjustment mechanism; and growth centre strategies

The local economic development is of significance and the City of Johannesburg metropolitan municipality needs to realise its strategic intentions, namely, economic growth, employment creation, poverty alleviation, and entrepreneurship.

6.4 Limitations of the study

The variables discussed in this paper were not new, however, the literature on the Entrepreneurship Development, Local Economic Development and SMME performance, particularly in South Africa, is limited. Other limitations of this paper have to do with the sample population. The sample population was drawn from service providers that are in the City of Johannesburg Metropolitan municipality supplier database and prospective suppliers that intend doing business with the municipality. The sample population was drawn from briefing information sessions that were conducted by the City of Johannesburg Metropolitan's Group Strategic Supply Chain Management unit.

Despite valid reasons to narrow the sample size, the outcome of such actions leads to limitations, and therefore caution should be taken in generalising the results of this study. The reason for reducing the geographical area of the population to just the City of Johannesburg Metropolitan Municipality was due to time constraints in undertaking this research study.
However, focusing on City of Johannesburg Metropolitan Municipality was not anticipated to have a major impact on the sample, given the observation that the province is the financial hub and the corporate capital of the country.

6.5 Implications and suggestions for further research

This study could specifically test whether the success of the Local Economic Development Framework on Entrepreneurship Development and performance and support can be achieved in municipalities that do not have entrepreneurship programmes in their make-up.

Based on the limitation of this study, which focused on the City of Johannesburg Metropolitan Municipality, more research is required to test these hypothesis further, however SALGA felt that LEDs needed to be taken more seriously, as it was still project driven, unrealistic targets were being set, there was very little monitoring and evaluation, there was limited integration to district, provincial and national planning strategies, there was limited political support, many LED strategies were not grounded in economics, it was poorly integrated with the Expanded Public Works Programme (EPWP), there was little differentiation and a "one- size-fits-all" solution was being adopted, relationships and partnerships should be formed with the formal business sector.

The South African LED Network was a web portal developed in partnership with a number of organisations which attempted to share a body of knowledge on LED and promote mutual learning. One method of improving LED was using procurement to impact on LED. However, this process was under threat from regulations (SALGA, 2015)

6.6 Recommendations

There is no doubt that Local Economic Development Policy Framework has played a pivotal role in the development and performance of entrepreneurs within the City of Johannesburg Metropolitan Municipality. It could be inferred from the respondents that that Local Economic Development policy framework was not without shortcomings, which need to be addressed by the City of Johannesburg Metropolitan Municipality and its stakeholders in order to get better results.

In my view the policy needs to be amended to include, amongst other things, the promotion of Entrepreneurship by school leavers, most of whom could never expect to find work in the formal sector as white collar or informal sector as blue worker collar employees. The world is moving towards automation and robotics which will invariably take away jobs from most people hence the solution lies in Entrepreneurship and in the informal sector.

A strategy should be in place in the City of Johannesburg to monitor and evaluate the processes, procedures and outcomes of Entrepreneurship programmes. The City of Johannesburg Metropolitan Municipality and City of Johannesburg Economic Development Department need to co-ordinate training interventions with their stakeholders, in order to ensure that there are developmental programmes that foster Entrepreneurship with SMMEs. On this note, it can be further recommended that a monitoring and evaluation committee should be constituted and be operationalised in the Department of Economic Development. The committee should be principally charged with the responsibilities to oversee, monitor and evaluate the implementation and outcomes of Entrepreneurship programmes' capacity building projects. There is a need for the City of Johannesburg and financial institutions to develop a funding model that will be considerate to the needs of emerging entrepreneurs. There should be increased procurement opportunities to targeted groups of local entrepreneurs – Youth, Women and People living with disabilities; and building township economy through supporting local suppliers, and competitive supplier development interventions and incubation programmes.

6.7 Conclusion

National government must also review and prepare guidelines for dealing with the informal economy and other associated strategies that fall outside the ambit of national planning frameworks and paradigms. Although it is important to ensure that Local Economic Development has a primary economic focus; it is essential that good practice be developed and disseminated around 'the second economy' with due acknowledgement of the fact that the fortunes of the 'second economy' are not separate from, but woven inextricably into that of the 'first economy'.

Lastly, a follow up research on this study is highly recommended. It is suggested that the follow up research should include all eight Metropolitan Municipalities in South Africa and adopt a single Local Economic Development strategy that will filter down to local, and district municipalities in order to get a broader sense of antecedents of a Local Economic Development framework on entrepreneurial development.

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APPENDIX A

Research Instrument

Dear Participant

Re: Request to participate in an academic research

You are being invited to participate in a research project. Your participation is voluntary, and it is up to you whether or not you decide to take part. Before you make this decision, it is important for you to understand why the research is being conducted and what your participation will involve. If anything is unclear, please let the researcher know.

Research objectives

The research explores and investigates the levels and impact of Local Economic Development Policy in the promotion of SMMEs and Entrepreneurship in the City of Johannesburg Metropolitan Municipality. To investigate this, the project considers in what ways SMME and Entrepreneurship are understood by the City of Johannesburg.

Participants

You have been invited to participate in the project based on your knowledge and expertise of working with, or on, projects related to SMME development and Entrepreneurship within the City of Johannesburg Metropolitan Municipality.

Voluntary participation

Should you decide to take part, you will be required to sign a Consent Form. You can withdraw from the study at any time without giving a reason. This decision will not disadvantage you in any way.

What will happen if I agree to take part?

You will be requested to participate in a research interview and filling up of questionnaires. The interview involves a series of open-ended questions where you will be asked about SMME's and Entrepreneurship, including your role and contribution to within the City of Johannesburg. The interview will take approximately 30 to 45 min to complete.

Confidentiality

Our interview will be recorded on a digital audio device. The audio recording will be typed up as an anonymous text for analysis. Privacy and confidentiality will be ensured in the collection,

transcription and processing of your data. No names will be used during data analysis or in the final output, unless agreed with you in person**.**

Benefits

While there is no immediate benefit for participants, it is hoped you will gain value from learning more about our environment, our policies and local government objectives from an academic perspective.

Potential risks

No risks, inconveniences or discomfort are reasonably expected during your participation

Thank you in advance.

Kind Regards

Unathi Nkosana Baduza

(Master of Management in Entrepreneurship and New Venture Creation Student)

Wits Business School

Student Number: 764987

Participant Name:…….

Date……..

Participant Signature:…….

Date……

APPENDIX B. CONSENT FORM

Dear Sir/Madam

Thank you for your interest in this research project. If you have any questions on the explanation already given to you, please ask the researcher before you decide to participate.

You will be given a copy of this Consent Form to keep and refer to at any time.

I agree:

- ✓ To take part in this study based on what has been explained to me.
- ✓ To the processing and overseas transfer of my data for the purposes of this research project, and other outputs published by the researcher.
- ✓ To my data being shared with the research team consisting of the researcher and their supervisors.
- ✓ If I no longer wish to take part in this project, I will notify the researcher and I will be withdrawn from the study immediately.

Participant Signature: _____

Name: _____Date: _____

Should you want to discuss any aspect of the study further, please contact: **Unathi Baduza (Mr.)** (Researcher), Masters Student, Master in Entrepreneurship and New Venture Creation, University of Witwatersrand, email: Unathib@joburg.org.za

If you have any concerns about the conduct of the study, you can contact Wits University using the following details:

Ms. Meisie Moyo

Programme Co-ordinator: Entrepreneurship and New Venture Creation

Wits Business School

2 St David's Place,

Parktown,

Johannesburg,

South Africa

meisiem@wits.ac.za

APPENDIX C

SURVEY QUESTIONNAIRE

SECTION A- DEMOGRAPHIC INFORMATION

1.1 Your age in years

18-35	
36-45	
46-60	
Older than 60	

1.2 Indicate your highest level of education

Some primary school	
Primary school completed	
Some High school	
High School Completed	
Certificates and short Programmes	
Diploma/Degree	
Post Graduate Complete	

1.3 Indicate your experience in business management

No experience	
Less than 1 year	
Greater than 1 year to 5 years	
Greater than 10 years	
Greater than 5 years to 10 years	
Greater than 10 years	
Post Graduate Complete	

1.4 How long have you been running the business?

3-5 years	
5-10 years	
Over 10 years	

1.5 How many employees do you employ?

Less than 5	
5-20	
21-50	
51-100	
Greater than 100	

1.6 What is your role in the Company?

Owner/Manager	
Owner	
Manager	
CEO	

1.7 How would you describe your business in the last 3 years?

Growing	
Declining	
Not Stable	

1.8 Is your business registered in the City of Johannesburg Supply Chain Management Database?

YES	
NO	

1.9 What was your average turnover for the past 3 years?

Less than 150 000	
R151 000- 500 000	
R501 000-2 M	

R2M to 25M	
R25M to 50M	
Greater than R50M	

10. Please indicate your gender

MALE	
FEMALE	

11. General

What is your sector of activity?	Please tick
Agriculture	
Mining	
Construction	
Manufacturing (including electricity, gas and water supply)	
Wholesale or retail trade	
Transport	
Real estate	
Financial services	
Other services	
General Dealer/Other	

APPENDIX D

VARIABLES/CONSTRUCTS

1) Training

	1	2	3	4	5	6	7
	strongly agree	agree	more or less agree	undecided	more or less disagree	disagree	strongly disagree
City of Johannesburg Metropolitan Municipality promotes SMME and Enterprise Development Programmes in communities and all regions							
City of Johannesburg Metropolitan Municipality Trade and Investment Promotion programmes are effective							
City of Johannesburg Municipality invites SMME's and Entrepreneurs for business development seminars/ information sharing sessions							

2. Preferential Procurement

	1	2	3	4	5	6	7
	strongly agree	agree	more or less agree	undecided	more or less disagree	disagree	strongly disagree
City of Johannesburg Metropolitan Municipality Supply Chain Management Database is USEFUL to SMMEs and Entrepreneurs							
My company has benefited from B-BBBE policy (Broad Based Black Economic Empowerment)information sharing sessions							
City of Johannesburg Metropolitan Municipality Supply Chain Management policies and frameworks are fair and transparent							

3. Availability of the Infrastructure

	1	2	3	4	5	6	7
	strongly agree	agree	more or less agree	undecided	more or less disagree	disagree	strongly disagree
Does City of Joburg Metropolitan Municipality taken any specific measures to help SMMEs in your knowledge							
Looking ahead how do you see the prospects of your organisation obtaining business support from the City of Joburg Municipality for your business?							
Local Economic Development has impacted me in my Entrepreneurial development							
City of Johannesburg Municipality invests in SMME's and Entrepreneurial Development							
Local Economic Development Policy has impacted my business development							

4. Incubation

	1	2	3	4	5	6	7
	strongly agree	agree	more or less agree	undecided	more or less disagree	disagree	strongly disagree
Does City of Johannesburg Metropolitan Municipality promote entrepreneurship in your knowledge?							
City of Johannesburg Metropolitan Municipality Local Economic Development/IDP programmes have impacted my business growth							

5. Perfomance

	1	2	3	4	5	6	7
	strongly agree	agree	more or less agree	undecided	more or less disagree	disagree	strongly disagree
How would you rate the effectiveness of the City of Johannesburg in communicating new or enhanced SMME government programmes							
How would you rate the effectiveness of City of Johannesburg in administering Local Economic development programmes							
City of Johannesburg supports high business technology and innovation amongst SMME and Entrepreneurs							

APPENDIX D
Consistency Matrix

Research problem/objective stated here				
Sub-problem/Aims	**Literature Review**	**Hypotheses or Propositions**	**Research questions**	**Variables(Independent & Dependent)**
The first sub-problem is to assess the relationship between Training and SMME Performance in the City of Johannesburg Metropolitan Municipality (2) The second sub-problem is to assess the relationship between Preferential Procurement and SMME performance (3) The third sub-problem is to assess relationship between Infrastructure and SMME performance in the City of Johannesburg Metropolitan Municipality	(Rogerson, 2003). Rodriguez-Pose, 2009 Blakely; Harvey, Clarke & Gaile, 1998), (DPLG, 2000). Motswiane (2009) Tomlinson (2003) and World Bank Group (2011) Leyden and Link (2015) (ILO, 2008: 2, as cited in Rogerson, 2011: 11758). (Naudé, 2013).	H1: There is a positive relationship between Training and SMME performance **H2**: There is a positive relationship between Preferential Procurement and SMME performance **H3**: There is positive relationship between the availability of Infrastructure and SMME performance **H4**: There is a positive relationship between Incubation and SMME performance	Explore the concept of Local Economic Development, and Public Sector Entrepreneurship • Determine what is important about Local Economic Development and Entrepreneurship • Determine the understanding of Local Economic Development within City of Johannesburg Metropolitan Municipality context • Make recommendation for improving Local Economic Development implementation to address the impact of LED framework and policy on Entrepreneurial Development and Performance in the City of Johannesburg Metropolitan Municipality context	DV1=SMME PERFORMANCE IV1= TRAINING IV2=PREFERENTIAL PROCUREMENT IV3= AVAILABITY OF INFRASTRUCTURE IV4= INCUBATION

4) The fourth sub-problem is to assess the relationship between incubation and SMME performance				

Sources of data	Type of data	Analysis
Journals, Research Papers and Reports, Briefing Information Sessions and questionnaires, COJ Economic Development Department	Nominal, ordinal,	Quantitative

APPENDIX E

Other Demographic Information

Variable	Category	Frequency	Percent
Experience	Zero	7	1.8
	One	101	25.6
	Two	66	16.8
	Three	49	12.4
	Four	55	14.0
	Five	51	12.9
	Six or more	65	16.5
Age of business	One	31	7.9
	Two	38	9.6
	Three	162	41.1
	Four	83	21.1
	Five	44	11.2
	Six or more	36	9.1
Employees	Less than 5	272	69.0
	5-20	113	28.7
	21-50	8	2.0
	51-100	1	0.3
Role in the organisation	CEO	1	.3
	Owner	393	99.7
Status	Declining	121	30.7
	Growing	267	67.8
	Not Stable	6	1.5
Registered with COJ	Yes	332	84.3
	No	62	15.7
Turnover	150000	75	19.0
	1million	26	6.6
	2million	168	42.6
	500000	125	31.7
Sector	Construction	119	30.2
	Agriculture	57	14.5
	Retail	40	10.2
	Mining	32	8.1
	Transport	16	4.1
	Other services	130	33.0