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The perceptual impact of enterprise development on mining communities in South Africa

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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 in Entrepreneurship and New Venture Creation.

Johannesburg, 2017

DECLARATION

I,_____,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 at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Signed _____

at_____

on the _____ day of _____ 2017

Abstract

The Broad-Based Black Economic Empowerment's (BBBEE's) enterprise development practice is one of the tools employed by the South African government in an attempt to redress the country's past economic injustices that are a result of apartheid's discriminatory economic segregationist policies. This research undertook to study the perceptual impact of BBBEE's enterprise development in mining communities, by focusing on black entrepreneurs and the support they receive from mining companies – or lack thereof – according to the BBBEE's codes of good conduct. The support that mining companies provide to mining community entrepreneurs could have come in the form of, inter alia,business funding, business incubation, granting guarantees for business loans and business coaching. The study took apositivist approach with data collected using aquestionnaire. The research findings indicate that mining community entrepreneurs do not feel that mining companies provide business support, therefore leading to the conclusion that BBBEE's enterprise development does not fulfil its objective of redressing South Africa's past economic injustices by supporting black entrepreneurs.

The research took a positivist paradigm in that data collection was quantitative. A positivist approach is viewed as a scientific, rational and empirical way of gathering data that is in turn used in knowledge construction (Ryan, 2006). The research design was cross-sectional because the researcher intended to study the perceptual impact of enterprise development on mining communities over a long time without having to make observations over many years. A cross-sectional study is the observation of subjects at one stage of an external intervention process to determine the impact of, for example, intervention by a third party or exposure to a third party. The population involved in this study was made up of black male and female entrepreneurs 18 years old or older, from three mining towns situated in following three provinces: Mpumalanga, Gauteng and the North West province. The research instrument was research questionnaire in the form of a five-point Likert scale. The limitation in this study was the limited population sample of 127 respondents from only three provinces, as they can't be representative of the entire South African mining communities' population.

Dedication

I dedicate this research to the most important women in my life: my wife Oripa‘My Elefunk’ Nyathi and my mother Nyankwabe Dorah Ndlovu. They have both been there since the beginning of my studies and have supported me throughout all the difficulties that have come with studying towards the degree of MMENVC while working as a school teacher. I appreciate all the support you have given me.

Acknowledgements

I would like to acknowledge the following people: my supervisor Dr Rob Venter for the guidance, efficiency and patience from the research proposal to the final research report draft; the mining community entrepreneurs of Ogies in Emalahleni,Phokeng in Rustenburg and Westonaria for partaking in the study, by completing the survey questionnaires; and lastly my best friend Makumana Barry Moyana for assisting with funds to purchase textbooks and listening to me talk about my research. Thank you all for the assistance and support you have given, however small.

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List of acronyms

ANC	African National Congress
BBBEE	Broad-Based Black Economic Empowerment
BBSEE	Broad-Based Socio-Economic Empowerment
CSR	corporate social responsibility
DTI	Department of Trade and Industry
GEAR	Growth, Employment and Redistribution
GDP	gross domestic product
GEM	Global Entrepreneurship Monitor
HDSAs	historically disadvantaged South Africans
ICMM	International Council on Mining and Minerals
IMF	International Monetary Fund
MMSD	Mining, Minerals and Sustainable Development
NGO	nongovernmental organisation
NGP	New Growth Path
RDP	Reconstruction and Development Programme
SARS	South African Revenue Services
SMME	small, medium and micro-sized enterprise
TRC	Truth and Reconciliation Commission
USA	United States of America
USSR	Union of Soviet Socialist Republics

Chapter 1: Introduction

1.1 Introduction to the study

Enterprise development,as a part of the Broad-Based Black Economic Empowerment (BBBEE)policy of economic redress,is a product of the ANC government's attempts to address South Africa's past economic injustices using neoliberal marked centred policies. The practice of enterprise development itself was born and developed in the United States of America (USA) during the civil rights movement to cater for the visible minorities who were perceived to be neglected by the US government (Rogerson, 2012). The US government set aside government contracts for small suppliers from visible minorities to assist by developing their small businesses, and to ensure that they would survive and play part in the formal economy. The ANC government, in its attempts to deal with apartheid's legacy of economic segregation based on race, borrowed some of the enterprise development practices from the USA (Rogerson, 2012).

In South Africa, enterprise development is aimed at redressing past economic injustices experienced by black people, also known as historically disadvantaged people. The aim of enterprise development, as a part of the BBBEE policy, is to guide corporations 'willing' to assist black entrepreneurs in developing theirsmall, medium and micro-sized enterprises (SMMEs) or help create new black small businesses through the provision of funding or business incubation.This study is inspired by the contestations by academics that BEE is failing to redress past economic injustices. One such scholar is Ngwenya(2007) (cited in Ramlall, 2012:1) who argues that 'despite the democratic elections of 1994 which endedthe political oppression of black people, socioeconomic oppression persists even today for a large number of black South Africans'.

1.2Purpose of the study

This purpose of this study is to empirically study the perceptual impact enterprise development has on mining communities in South Africa. BBBEE, as a government

tool of economic redress, has many aspects that are aimed at empowering previously disadvantaged people, among which is the development of enterprises owned by previously disadvantaged South Africans. This research projectis intended to empirically study whether mining houses,as part of their legal obligations,are helping to develop enterprises in mining communities. Ifthese mining house are supporting already established SMMEs, how havetheirenterprise development practices impacted on black-owned SMMEs and mining communities in general?

The research investigates whether mining companies are complying with the BBBEE's codes of good practice in the communities where they operate by practising enterprise development.It also investigates the perceptual impact of enterprise development on a mining community as observed by mining community entrepreneurs.

1.3 Context and background to the study

1.3.1 Context of the study

Mining in South Africa has a controversial history of exploitation, which began at the dawn of diamond and gold mining in Kimberley and Johannesburg respectively. With mining requiring intensive physical labour to extract those two valuable minerals, the colonial government devised a plan in the form of taxes to force black men to leave their homes in rural South Africa and neighbouring countries such as Mozambique, Zambia, Lesotho, Zimbabwe, Malawi and Swaziland to go work in the mines. The colonial government did not allow for black miners to live with their families or to assume permanent residence in mining areas. This led to the emergence of the migrant labour system, which took away men from their families to go work in the mines for meagre salaries on 18-month contracts, which meant miners were away from their families for periods of up to 18 months at a time (Harington Harington,J.S.,McGlashan,N.D.&Chelkowska,E.Z.,2004; Posel,2004; Trimikliniotis, N., Gordon, S. &Zondo, B., 2008).

The meagre salaries that miners received meant they could not buy property; on top of that, migration laws prevented miners from seeking accommodation outside of mine hostels. For decades, this was the life of miners, until the emergence of unions

in the 80s which fought for miners to choose where they want to live. Their salaries, however, could only afford them to live in townships around mining towns. Townships around mining towns became cheap labour reserves which mining companies relied heavily on to continue their mineral-extracting operations. Mining companies have made billions of rands in profits from the cheap labour living in townships around mining towns, but the townships don't benefit economically from mining (Sinwell&Mbatha,2016;Cox, K.R., Hemson, D. &Todes, A.,2004).

The ANC took over state power in 1994 and promptly began looking at ways to redress past economic injustices. The Black Economic Empowerment (BEE) programme was enacted in 2007 and it was aimed at the economic upliftment of previously economically disadvantaged South Africans, specifically black, coloured, Indian and later Chinese South Africans. However, BEE was widely criticised for its failure to economically benefit ordinary South Africans, in favour of benefitting those who are politically connected. The BEE was then revised to the BBBEE in 2013 with the aim of benefitinga largerportion of historically disadvantaged South Africans (Ponte, S., Roberts, S. & Van Stittert, L., 2007).

The context of this study is the South African mining industry's contribution to economic redress in the form of enterprise development. The study is contextualised by the ANC government's policies aimed at redressing past economic injustices. The main guiding policy in the study is BBBEE,focusing specifically on the section on enterprise development and partially on the Broad-Based SocioeconomicEmpowerment Charter for the South African Mining and Minerals Industry, also known as the Mining Charter (Department of Mineral Resources, 2010).

The Mining Charter and the BBBEE's codes of good practice guide mining companies to play their part in economic redress which in this context is in the form of enterprise development. The study focuses on mining companies' compliance with the policies aimed at economic redress and the impact of such compliance on the socioeconomic development of a mining community.

1.3.2 Background to the study

The background to this study is located in South Africa`s dark economic past of the exclusion of the majority of black South Africans from participating in the formal economy and the government'sbattle to redress past economic injustices.During apartheid, black people (who then formed about 80% of the population) were economically discriminated against through discriminatory apartheid laws(Mineral and Petroleum Resources Development Act 28 of 2002). Black people were not allowed to participate in South Africa's formal economy until the end of apartheid in 1990 and more formally after 1994. During apartheid, the minority white population were the only South Africans allowed to fully participate in the formal South African economy and were in possession of more than 70% of the country's wealth (Valodia&Devey, 2012).

When the African National Congress (ANC)was democratically elected and took over the South African government in the 1994 democratic elections, it enacted policies and legislations to redress past economic injustices that had been created by the apartheid government.The South African government has a number of policies that are aimed at the redistribution of wealth,but little academic or statistical evidenceexists which indicates that the redistribution of wealth in the form of land redistribution, employment equity, enterprise development, company ownership and equity at senior management level is broad-based. Inequality along racial lines is still evident as no significant socioeconomicchange has taken place as a result of the policies aimed at economic wealth redistribution.Government admits that there is still a long way to go in terms of redistribution,although it claims that it has made some inroads in redistributing wealth (Magubu,2014). This research studied whether communities around mining areas are benefiting from government policies aimed at economic redress and redistribution, with specific focus on the perceptual impact of the BBBEE's enterprise development practice on mining communities.

The BBBEE codes are a product of neoliberal macroeconomic policies drafted by both government and the private sector with guidance from the International Monetary Fund (IMF) and the World Bank's policies,aimed at stabilising the economy and stopping the then pro-socialist ANC from nationalising key industries such banks, mines and commercial farms (Peet, 2002). BBBEE is said to be rooted

in the transition period from apartheid to the current democratic dispensation, as the private sector was trying to find solutions to protect their businesses from nationalisation by the socialist-inclined ANConce it had become evident that the ANC was going to take over government when South Africa became fully democratic (Ponte, S., Roberts, S. & Van Stittert, L.,2007).

There are many factors that are said to have been behind the liberalisation of the South African economy; some among others were the fall of the Union of Soviet Socialist Republics (USSR), the emergence of globalisation in the 80s and the adoption of liberalism by the IMF and the World Bank (Peet, 2002).The ANC-led government, in its efforts to get South Africa into the global market, liberalised its economic policies, thereby giving South Africa the licence to enter global markets and open its own markets to the world. Opening the South African markets to the world has had a negative impact on small businesses that were 'protected' from outside competition by theeconomic sanctions that were aimed at preventing foreign businesses from doingbusiness with apartheid South Africa. Conversely, the big South African companies are benefiting from the globalisation and liberalisation of the South African markets, because they can now venture into countries that were previously closed to them. Smaller businesses are suffering because of increased global competition, but supermarkets like Shoprite and Pick 'n Pay have taken the opportunity to venture into other African countries like Zambia, Mozambique and Uganda (Wiggins &Hazell, 2011).

The ANC's neoliberal macroeconomicpolicies from the Reconstruction and Development Programme (RDP), to Growth, Employment and Redistribution (GEAR) to the New Growth Path (NGP) focus on economic growth and then redistribution through employment; government must provide the infrastructure and market-centred economic policies for private business to prosper and, in turn, the benefits of economic growth may trickle down to the poor in the form of employment, the opportunity to buy shares in big business through BEE and owning or managing businesses developed as a result of BBBEE compliance (Adelzadeh, 1996). This also meant that black people could only share in the wealth of the country – not through the ownership of the means of production when government nationalisesbig corporations, mines and banks – but through the creation of jobs and

subsequent employment of black people, using the employment equity and affirmative action guidelines.

Whenthe BEE policy was passed in the second half of the 90s, the majority of South Africa's historically disadvantaged population had high hopes that they were going to share in the country's rich wealth,but they discovered bitterly that the policy was not going to benefit them economically and were left to watch with envy as those they had voted into power were reaping the rewards of 'freedom' in the new democratic dispensation. Politically connected individuals such as Cyril Ramaphosa, Patrice Motsepe and Tokyo Sexwale became super rich at the expense of the majority, as a result of the BEE policy (Ponte et al.,2007).

The arguments above highlight the fact that the neoliberal macroeconomic policies are benefiting the previous beneficiaries of racist anti-black economic policies and the few newly created,non-productive petit-bourgeois black multi-millionaires. It is an example of how the neoliberal economic policies are failing to empower historically disadvantaged people through inter alia opening formal markets to them (Patel & Graham, 2012). The ANC-led government has been making attempts to redress past economic injustices through the formulation and implementation of policies and legislations aimed at empowering black peopleeconomically,but little evidence exists that shows that many black people are benefiting (Patel & Graham, 2012).

The RDP was the first macroeconomic policy to be drafted and adopted by the ANC in its bid to redress past economic injustices, but it was not to last long.When it was adopted in September 1994, the ruling ANC had already been flirting with neoliberalism for almost half a decade and so it was no surprise that, in 1999,underPresident Thabo Mbeki, the neoliberal macroeconomic policy called Growth Employment and Redistribution (GEAR) was adopted to replace the RDP as South Africa's macroeconomic policy (Visser, 2004).

GEAR placed specific focus on economic growth and redistribution through jobs, but economic growth requires skills. As the government realised that the task of halving unemployment by the year 2014 was a serious challenge, it consulted with all stakeholders on the possible factors that may have been contributing to the slow economic growth.It came to the conclusion that the lack of skills, caused by among

other factors poor education, contributed to the poor economic performance of below the required average 5% in South Africa's gross domestic product (GDP). Together with relevant stakeholders, the government formulated the AsgiSA (Accelerated and Shared Growth Initiative South Africa)to address the skills challenge that was contributing to the poor GDP growth. By the year 2016, unemployment was sitting at 26.7%, higher than 12 years prior when the government projected to halve the 24.7% unemployment rate (Statistics South Africa (Stats SA),2017)

In the tradition of reducing inequality through employment,"Government adopted the National Growth Path as a framework for economic policy and the driver of the country's jobs strategy" (Economic Development Department,2010).The South African government enacted the NGPin 2010 to reduce unemployment by 10% from 25% by creating five million jobs by the year 2020. In a drive to reduce unemployment, poverty and inequality,government committed to support small business and provide favourable conditions for investors as they are the creators of employment. Favourable conditions for investors and small businesses include working with trade unions to create labour laws that allow for easy hiring and firing. By the end of the last quarter of 2016, unemployment was sitting at 26.7% (Stats SA, 2017).

The ANC government, in consultation with the corporate sector and civil society, amended Black Economic Empowerment in 2003 to Broad-Based Black Economic Empowerment (Patel & Graham, 2012). The main reason for revising BEE to BBBEE was the fact that the majority of South Africa's historically disadvantaged people were complaining that the beneficiation process was not broad-based enough to benefit most previously disadvantaged South Africans. The BBBEE promised the redistribution of wealth to the majority black population, but theredistribution was not far-reaching enough, because the redistribution relied on the private sector complying with the BBBEE policy for economic redistribution,but not the government (Ponte et al., 2007).

By opting for neoliberal macroeconomic policy frameworks such as GEAR and NGP, the government has placed the burden of economic redistribution on the private sector.It has also blurred the lines of socioeconomic responsibility and relieved thegovernment of some of its socioeconomic responsibilities,because the

neoliberal policies advocate for minimal involvement of government in economic redress, therefore forcing companiesto take the responsibility of solving socioeconomic problems in the areas where they operate,through their corporate social responsibility spend (Ponte et al., 2007; Patel & Graham, 2012).

The BBBEE,as a policy,is aimed at the economic empowerment of previously disadvantaged South Africans, namely black people including women, workers, youth, people with disabilities and people living in rural areas (Department of Trade and Industry (DTI), 2007). BBBEE adopted, contextualised and introduced an economic redress concept from the west (United States of America) that incentivised companies to develop small enterprises or entrepreneurs in the communities where they operate. The incentives that companies could receive ranged from tax breaks to government granting operating licences for companies to operate in certain areas or communities. It is argued that the development of enterprises and setting aside procurement from minority groups in the USA was aimed at social cohesion, but in South Africa,enterprise development is aimed at redressing past economic injustices (Ponte et al., 2007).

The Mineral and Petroleum Resources Development Act and the Mining Charter are examples of government policies aimed at opening up the mining and petroleum sector to HDSA(historically disadvantaged South Africans). Thesedocuments are some of the examples of how the South African government is taking initiative in redressing past economic injusticesfaced by HDSA. The government drafted the sector policies to redress past economic injustices by providing guidelines for mining and petroleum companies to follow when contributing to socioeconomic development. The sector policies were designed to guide mining companies tofulfil their responsibility in contributing towards the socioeconomic development of the communities where they operate and how to go about developing such communities sustainably so that they don't rely entirely on the mine for their socioeconomic wellbeing, as stated in the revised Mining Charter (Department of Mineral Resources,2016).

Kovacevic (2007)(cited in Krüger,2011:212; Patel & Graham, 2012: 205)observed that 'BEE has achieved very little success in eradicating poverty, increasing employment or fostering economic growth for majority of the previously

disadvantaged groups.' They argue that BEE has failed to achieve its set goals of opening up the formal economy to HDSA, and reducing poverty and unemployment. Mbeki(2009)(cited in Krüger,2011) had a year earlier argued that BEE is counterproductiveas it creates wealthy but unproductive blacks by securing them equity stakes and higher positions in big companies without having to produce anything of value.

Based on the available literature, a preliminary conclusion has been made that government policies have achieved very little success in redressing past economic injustices (Ngwenya(2007) cited in Ramlall,2012). This study intends to build on the fewavailable academic studies conducted on the theme of enterprise development practice and the impact of this practice on the socioeconomic development ofmining communities. As only a few studies have been conductedon the development of enterprises as a government policy in South Africa, let alone in the mining community,it was a difficult task to find literature that backs up some of the claims made in this study.

1.4 Problem statement

1.4.1 Main problem

The ANC government has been in power for 23 consecutive years. In those 23 years,it has drafted, implemented and revised several policies aimed at the economic empowerment of previously disadvantaged groups. To measure the perceived impact of government intervention in economic redress, a study of this nature has to be undertaken, because current populist politics suggest that groups that were previously disadvantaged have not benefitted from economic empowerment. This study investigates whether BBBEE, as one of the South African government's tools for economic redress, has had a significant economic impact in redressing past economic injustices by affording black people from mining communities the opportunities to participate in the formal economy through enterprise development.

1.4.2 Sub-problem 1

To investigate whether mining companies comply with the BBBEE's codes of good practice.

1.4.3 Sub-problem 2

To investigate whether entrepreneurs operating in mining communities feel that mining companies are supporting the development of their enterprise ventures.

1.5 Significance of the study

The South African mining industry has, from its inception, benefitted greatly from the exploitative labour laws that were enacted, first by the British colonial government and then, after Britain 'removed' its colonial tentacles from South Africa, by the apartheid government,which used the colonial blueprint to continue providing the mining industry with cheap migrant labour. The mining industry was at the core of the economic exploitation of non-whites to the benefit of the white population. As a beneficiary of apartheid's exploitative labour laws, which were designed to provide mining companies with cheap labour, it is fair to expect the mining industry to play a significant role in economic redress.

The BBBEE's enterprise development in the mining sector was designed to afford mining companies the opportunity to redress past economic injustices by supporting the development of SMMEs in mining communities. The support of SMMEs includes, among other things,the provision of working supplies from a mining community, funding, incubation facilities and business advice. However, there is a noticeable policy or practice gap,which this study seeks to address by conducting an empirical study focusing on the application of the BBBEE's enterprise development by mining companies in communities around the mines and its perceived impact.

The study fills a gap in that it focuses on a specific enterprise development as part of BBBEE and studies the perceived economic impact of enterprise development on a mining community. It also provides guidance to academics intending to empirically study the impact of BBBEE on communities that should benefit from its application. It should be highlighted that few studies have been done on the impact of enterprise development in mining communities; therefore, this study intends to contribute to the field of enterprise development by empirically studying the perceived impact of enterprise development in mining communities.This knowledge gap is caused by the fact that there are a fewacademic studies that empirically study the application and

perceived impact of BBBEE in the economic development of mining communities. The knowledge gap in the enterprise development space will be filled by specifically focusing on mining companies' compliance with the codes of good practice, by supporting small businesses and assessing the perceived impact of such support on the SMMEs and the community.

1.6 Delimitation of the study

- The study focused only on black entrepreneurs of all ages that own SMMEs in and around mining communities.
- The respondents in the study were only from Emalahleni in Mpumalanga, Westonaria in Gauteng and Rustenburg in North West. The mining companies' representatives were not part of the study, as they declined to partake in the study and refused to have their black suppliers participate.
- Enterprise development is the only section of BBBEE that was used to measure the economic impact of government's policies aimed at economic redress.

1.7Definition of terms

Enterprise development (enterprise development)= the monetary and non-monetary support for existing or the fostering of new HDSA-owned companies in the mining sector of the economy, with the objective of contributing to their development, sustainability and financial operational independence.

Broad-Based Socio-Economic Empowerment (BBSEE)=a socioeconomic strategy,plan,principle,approach or act, which is aimed at: Redressing the results of past or present discrimination based on race,sex and disability of historically disadvantaged persons in the mineral and petroleum industries and in the value chain of such industries; and transforming such industries to assist in, provide for, initiate, facilitate or benefit from, inter alia, integratedsocioeconomic development for mine workers, host communities, major labour sending areas and areas that, due to unintended consequences of mining, are becoming ghost towns, by mobilising all stakeholder resources.

Business incubation= 'an economic and social programme which provides the intensive support to start up companies, coach them to start and accelerate their development and success through business assistance program' (Al-Mubaraki&Busler,2013: 362).

Corporate social responsibility= 'The notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract' (Hilson, 2012: 131).

1.8Assumptions

First, many of the respondents have not received any form of support from mining companies. This assumption is based on the little literature available on enterprise development, which suggests that little to no enterprise development practice by big companies operating in South African industrial communities is taking place. It is reasonable to assume that respondents are going to express similar opinions to other empirical researchers, because of the findings of those studies that are available that meaningful enterprise development is not being practiced.

Second, many of the respondents are not familiar with the obligations of mining companies with regards to BBBEE's codes of good practice compliance.

Third, mining companies do not understand the needs of entrepreneurs in the mining communities where they operate. The literature has found that mining companies do not collaborate with all stakeholders in mining communities for the socioeconomic development of mining communities; instead, they practice a top-down model. By collaborating, they would know what the entrepreneurs need and then collaborate to fulfil those needs.

1.9 Research outline

Chapter Two gives a breakdown of literature review on the origins of enterprise development policy and practice in South Africa. It outlines how the ANC-led government came to draft policies aimed at economic redress and what has led to policies. This study will focus on BBBEE, before zoning in on the enterprise development section of the policy.

Chapter Three describes the research methods that were used by the researcher in conducting the entire, primarily the sample and sampling methods. It describes the research instrument and how it was designed. Data collection and data analysis

methods are also described, including the construct validity and reliability testing and results thereof.

Chapter Four presents the results of the study in the form of graph and tables,followed by a presentation of the results without explaining what the results mean. This information includes the respondents' biographical information and percentages on how some questions were answered and thecorrelating results.

Chapter Five discusses the results of the study that are presented in the tables and graphs inChapter Four. First, the demographic profile of the respondents will be discussed, followed by a discussion of the results in relation to the hypotheses. Finally, a conclusion summarises the chapter and reaffirms the conclusions regarding all hypotheses.

Chapter Six presents the final conclusions of the entire study and the recommendations for all stakeholders whoare identified as beneficiaries of the research findings. Suggestions for further research will also be made for those who intend to duplicate or further this study.

Chapter One introduced the topic of the study: The perceived impact of enterprise development on mining communities in South Africa.It then gave background to the study and the purpose for undertaking the study. The problem statement was outlined as a policy and/or practice gap in BBBEE's enterprise development practice in mining communities. The study looks to investigate why there is a policy/practice gap, but in investigating the policy/practice gap, variables that may affect the outcomes of the study were categorically stated and measures taken to prevent such variables from impacting on the study.

In Chapter One,the following were outlined: the purpose of the study, the background to the study, the context of the study, the problem statement and the significance of the study. The purpose of the study is to empirically study the perpetual impact of enterprise development in mining communities of South Africa. The background to the study is situated in South Africa's dark economic past, excluding the black majority from having a meaningful participation in the formal economy and how the government is using enterprise development as one of the intervention methods in redressing past economic injustices, and its impact on the

intended beneficiaries. The study fills a gap by studying the perceived impact of mining companies' intervention in mining communities' SMMEs.

Chapter 2:Literature review

2.1 Introduction

In this chapter,literature on enterprise development is examinedto provide a background to the factors that led to this study, as well as to highlight knowledge gaps on enterprise development and then suggest ways in which those gaps can be filled by the findings of this empirical study. A breakdown of the available literature provides insight on the origins of enterprise development policy and practice in South Africa. It also outlines the drivers behind the ANC-led government drafting policies aimed at economic redress and what has led to those policies. The government policy that this study focuses on is BBBEE,zoning in on enterprise development section of the policy.

The South African government has enacted sector charters to help guide companies in each industry to do their part in the socioeconomic development of the communities where they operate. The scorecard for the Mining Charter specifies several activities that mining companies can undertake. According to the Charter, mining companies can facilitate the purchase and transfer of equity to HDSA, enterprise development, employment equity and human resource development, as part of economic redress.

According to the Broad-Based Black Economic Empowerment Act 53 of 2003, BBBEE is defined as the ‘economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socioeconomic strategies’ (DTI,2007).The objectives of BBBEE are the empowerment of historically disadvantaged South Africans by integrating them into the formal economy through various methods, inter alia the development of black -owned enterprises. The act of enterprise development includes funding and the incubation of enterprises,as well as the provision of business coaching to entrepreneurs. The focus of this study is enterprise development.

2.2 A background to enterprise development in South Africa

South Africa has come a long way from the end of apartheid in 1990 and the first fully democratic elections in 1994 to what it is today. The ANC took over a government that was faced with great socioeconomic problems, with black people having the highest percentage of poverty and unemployment. The ANC enacted policies that were aimed at the economic empowerment of black people. The ANC's main policy aimed at economic redress is BBBEE. BBBEE is aimed at the economic empowerment of previously disadvantaged South Africans i.e. black people including women, workers, youth, people with disabilities and people living rural areas (DTI, 2007).

BBBEE introduced the concept of enterprise developmentfrom the USA. In the USA, enterprise development was introduced by the US government to promote social cohesion by affording minorities(black people,Hispanics and the physically disabled) opportunities to enter the formal markets and uplift their socioeconomic standards. Companies were encouraged to develop enterprises owned by minorities, through incentivisation.The incentives that companies could receive from government ranged from tax breaks to operating licences for companies to operate in certain areas or communities. The act of developing enterprises in the USA was intended to redress past discrimination of minorities (Ponte et al., 2007).

South Africa adopted enterprise development from the USA and adapted it to the South African context,for a slightly different reason. South Africa adopted enterprise development as one of the ways of redressing past economic injustices that were legislated against black people by the racist apartheid government. Enterprise development is a part of BBBEE and is aimed at economic redress of past injustices.The government, intending to successfully and consistently practice enterprise development, introduced the codes of practice in 2007 and amended them in 2015. The codes of good practice provide companies with guidelines to follow when, for example, doing enterprise development and outlines the points awarded for any act towards the development of black-owned SMMEs. These acts of enterprise development range from business funding, business coaching and business incubation (Arya &Bassi, 201; Ponte et al., 2007).

The BBBEE`s code series 600 describes enterprise development as ‘any quantifiable contribution by an entity to the development of enterprise, the contribution could be monetary or any other quantifiable support offered to the enterprise’ (Broad-Based Black Economic Empowerment Amendment Act46 of 2013).The development of suppliers qualifies as enterprise developmentbecause companies could facilitate for the development of SMMEs and score 50 points from the scorecard. The development of suppliers includes, among other acts of good practice: preferential procurement from small suppliers, financial support to help set up a new supplierand the incubation of not yet established suppliers(BBBEE Amendment Act).

The development of suppliers by mining companies had the potential to earn mining companies or any other company from a different industry the maximum points that a company can get from conducting enterprise development. The 2003 code of good practice awardeda possible maximum of 15 points for enterprise development, but the new code awards 30 points for each successful supplier and enterprise development.The BBBEE’s codes of good practice have since been amended and supplier development not only qualifies as enterprise development but is now formally called enterprise and supplier development (BBBEE Amendment Act).The enterprise development contribution by a mining company can be in the form offinancial capital, preferential procurement, and training or business mentoring to beneficiary entrepreneurs.

The percentage of annual profit to be spent on enterprise developmentby a measured entity has now been split into 2% and 1%of net profit after tax for supplier development and enterprise development, respectively. The development of suppliers has been awarded one percent more than the development of ordinary enterprises. Supplier development is in turn allocated 30 points for preferential procurement of products or services from companies with a black majority ownership.

The practice of enterprise development is aimed at the economic upliftment of historically disadvantaged peoples, which in turn leads to the socioeconomic developmentof previously disadvantaged societies. As such, a new category has been included in the codes:socioeconomic development. The new code awards up to a maximum of 15 points for any contribution by a measured entity aimed at

socioeconomic development.The targeted net profit after tax allocated to socioeconomic development is only 1%. The status of socioeconomic development contributions is not measured by the results of contributions by a measured entity to a benefactor, but by the nature of the contribution and the identity of the contribution's beneficiaries (BBBEE Amendment Act).

There are different kinds of enterprise development practices that mining companies can employ to fulfil their BBBEE obligation of developing enterprises and suppliers. Companies can provide funding of enterprises through many forms; among these are the granting of loans to beneficiary entities, guaranteeing of guarantees or provision of security on behalf of beneficiaries, making of credit facilities available to beneficiary, advancing of development capital to beneficiary entities and granting of preferential credit terms (BBBEE Amendment Act).

There are also non-monetary contributionsthat a mining company can make to a beneficiary entity, which includes preferential procurement of services and/or products from small enterprises owned by previously disadvantaged individuals. The value of training or mentoring is measured by the number of hours spent training a beneficiary entity. Companies can also provide training or mentoring that assists beneficiaries to develop their capacity to supply products or provide services to big mining companies, which they otherwise would not have the capacity for (BBBEE Amendment Act).

Big mining companies have access to big markets that are not necessarily be accessible to small enterprises, so big mining companies can also expose beneficiary entities to previously inaccessible markets.They can provide access to markets by procuring a percentage of products and/or services exclusively from enterprises owned fully or by majority black owners, or expose them to other companies that need to procure the services and/or products they offer (BBBEE Amendment Act) (Arya &Bassi, 2010; Rogerson, 2012).

As already stated,South Africa is faced with challenges of unemployment and poverty resulting from its dark apartheid past. To redress past economic injustices and deal with unemployment, the development of black-owned SMMEs is seen to be part of the solution to South Africa's socioeconomic problems of unemployment and poverty, as it has been found that they create 56% of private-sector employment

(Ntsika(2002) as cited in Olawale&Garwe, 2010). The ANC-led South African government's neoliberal policies aimed at socioeconomic redress for historically disadvantaged South Africans has relegated government from meaningful intervention and has burdened the private sector with the socioeconomic development of the communities of HDSAs. Enterprise development is one of the BBBEE practices that the private sector is legally obliged to carry out in an effort to empower black people.

2.3 Enterprise development practice in South Africa

Enterprise development practice in South Africa is a direct consequence of the country's past racist economic exclusion of black people. The ANC-led government, in its attempts to empower black people on a broad scale and afford them the opportunity to participate in the formal economy by assisting in the development of black-owned enterprises, adopted the concept enterprise development and made it part of BBBEE. The development of enterprises in South Africa includes the funding of SMMEs, business coaching that includes accounting skills, cash flow or marketing, and business incubation (Rogerson, 2004).

The majority of private companies may not be willing to practice enterprise development as part of their legal obligations in the communities where they operate, but there are some companies that have been doing it for many years before it was legislated.Mining houses such as Anglo American and De Beers have been practising enterprise development as part of their corporate social investments in the communities where they operate since the 1980s and they have assisted black-owned start-ups to take off (Rogerson,2012; Section 9 of the Broad-Based Black Economic Empowerment Act 53 of 2003). However, the efforts of these companies are just a drop in the ocean as most mining companies' managers are still reluctant to practise enterprise development, citing reasons such as the cumbersomeness of the enterprise development process or the lack of skills in their companies to carry out enterprise development; they do it just to tick boxes and score BBBEE points (Rogerson, 2012).

The ANC's political freedom victory at the negotiation table came at a steep price for the black majority; the price for winning equal rights and voting rights was the

promise to respect and not revoke the white minority's property rights. The properties include everything that was accumulated by white people before 1994, regardless of the methods used to accumulate such properties. Nationalisation of key national assets, such as commercial farming land, banks, mines and companies that maybe of strategic importance to the state, was scrapped as the policy of the ANC and replaced by neoliberal market-orientated policies (Ponte et al., 2007).

The ANC has, from the negotiation stages to the end of apartheid, flirted with liberal economics and begun rejecting its long-held socialist stance. When it took over government, it had already adopted a liberal stance in dealing with past economic injustices. The ANC's liberal stance is evidenced by its drafting and adoption of liberal macroeconomic policies from the RDP, GEAR, AsgiSA and, now, to the NDP. These macroeconomic policies are consistent on the point that government should take a backseat and leave economic redress to the private sector, as the current trend is that only private businesses have the ability to create jobs. They all state that government should only facilitate for the growth of the privately owned economy, and then redistribute the wealth to HDSAs through employment and,in rare cases, through the purchase of shares of previously white-owned companies (Ponte et al,, 2007).

Enterprise development is a voluntary practicefor most companies as government does not have the means to enforce its implementation in some industries, since GEAR, as the government's macroeconomic policy, dictated that government should have minimal participation in the economic redress process. The adoption of GEAR as South Africa's macroeconomic policy relegated government to being a passive participant in economic redress, therefore making economic redress a major responsibility of the private sector. GEAR, AsgiSA and now NGP advocate for voluntary economic redistribution in which government only plays a minimal role, hence the silence of government in enforcing the BBBEE's codes of good practice to speed up the process of economic redress (Ponte et al.,2007).

One of the ways economic redistribution and empowerment can be done is through enterprise development. Enterprise development can be carried out in many different forms, inter alia funding of start-ups, incubation of SMMEs, provision of business coaching to startup entrepreneurs and preferential procurement. The funding of

startups can take different forms: through making loans available to beneficiary entities, giving guaranteeor security, or making credit available to beneficiary entities.

The incubation of SMMEs involves the provision of office space and equipment, exposing SMMEs to markets, and business coaching. Some companies that need to procure goods or services may procure a certain percentage from entities that are benefiting from their incubation services. Preferential procurement involves the deliberate decision by a company's management to procure services or products from a specific SMME with the aim of fulfillinggovernment's legal obligations (BBBEE Amendment Act).

2.4 The South African Mining Charter

The South African government has also enacted sector charters to help guide companies in all sector industries in their compliance with BBBEE's empowerment codes. The sector charters were drafted and adopted toassist with the mining sector's monitoring of economic redress programmes by peer companies. Government is struggling to monitor the implementation of BBBEE and the codes of good conduct by companies in most sectors; therefore, sector charters assist government through peer company pressure and monitoring.The Mining Charter was drafted by government to guide mining companiesin their quest to comply with government policies of redressing past economic injustices by developingcommunities where the mining companies operate. The development of mining communities can be achieved by providing opportunities for HDSAs to participate in the formal economy.The development of mining communities by mines, as stated in the Mining Charter, include enterprise development andtechnical skills(such as engineering and boiler making) development that can assist mining community residents in obtaining employment (Department of Mineral Resources,2010).

The main objectives of the Mining Charter are, inter alia, 'to substantially and meaningfully expand opportunities for HDSA to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources' and 'to promote employment and advance the social and economic welfare of mine communities and major labour sending areas' (Department of Mineral

Resources,2010). According to the Mining Charter, mining communities should benefit economically and socially from the mines, not only through employment, but through the development of enterprises operating in their communities.

Enterprise development, as it is practised in South Africa, does not have outright support from all spheres, especially academia.Scholars argue against the mass funding of all prospective entrepreneurs by government or the private sector through any funding channel,as not all prospective entrepreneurs have the ideas or entrepreneurial skills to start enterprises that have growth potential. The argument goes further to say that funding SMMEs without growth potential may be a waste of state resources, as some SMMEs do not stand a chance of making measurable growth and profit to benefit many through employment (Shane, 2009).

Furthermore, Shane (2009) (cited in Pergelova&Angulo-Ruiz, 2014) argues that only the entrepreneurs with ideas that have growth potential should be given the support needed for an entrepreneur to prosper. He continues that it is bad government policy to mass fund startups with the hope of creating employment and generating innovation because empirical studies on the impact of government funding of startupsfound that government funding does not help create employment– it only increases thesurvival rate of startups(Shane,2009).

Shane's (2009) argument about mass funding is, by default, disputing that BBBEE's enterprise development can provide'meaningful' economic redress for the majority of black South Africans, because mass funding will not lead to mass job creation as projected by government through GEAR (Pergelova& Angulo-Ruiz, 2014). The implication of the findings from empirical studies is that neoliberal macroeconomic policies such as RDP,GEAR,AsgiSA and now the NGP have been failing and will continue to fail to redress past economic injustices as quality jobs will not be created in great numbers to employ historically disadvantaged South Africans.

In light of the RDP and GEAR's failure to alleviate poverty and reduce unemployment, government looked at the factors that might be leading to the failure and found that the main challenge was the lack of skills and capabilities by government employees to implement government's macroeconomic policies. Some of the accompanying factors that were seen to be contributing to the failure in implementing GEAR were not only lack of skills and capabilities but also

corruption, lack of human resources to implement policies and inadequate financial resources.AsgiSA was seen as a solution by the ANC government, as it was aimed at equipping relevant people with the skills to implement GEAR. AsgiSA's mandate was to reduce poverty by 2010 and halve unemployment by 2014, but those targetscame and passed with very little to show in terms of poverty reduction and the reduction of the unemployment rate. Unemployment in South Africa is still at an alarming rate of 25% (Rogerson,2008;Trading Economics, 2017). It is now 2017, but there is little hope of reducing the high unemployment rate in South Africa, as the GDP growth rate was 3.3% in the second quarter of 2016 and unemployment at an alarming 27.1% (Stats SA, 2017; Trading Economics, 2017).

The lack of skills not only affects implementation of government policies butalso affects SMMEs. SMMEshave been found to have a high failure rate of more than 80% due to many external and internal factors, among them the lack of general business skills. The other factors that contribute range from no access to finance,lack of management skills and lack of equipment, to lack of access to formal markets. These factors have a strong bearing on the high failure rate of SMMEs. However, some scholars argue that the high failure rate can be reduced significantly if the companies that are practicing enterprise development collaborated with stakeholders such as government and the communities where the entrepreneurs are based. The collaboration would be aimed at offering support to small entrepreneurs, who have either already started running their businesses or are in the beginning stages. The support offered by companies and government could take the form of incubation.

The incubation of SMMEs as a means of business support comes in many forms. Some forms of incubation can be in the form of business coaching, providing entrepreneurs with office space and office equipment, networking opportunities, and introduction to formal markets. The support offered in incubation is designed to fill the gaps that researchers and scholars have found to be the major contributing factors to small enterprise failure. In South Africa, both the private and public sectors provide incubation facilities to SMMEs, but their selections are different in that the private sector selects only those entrepreneurs and enterprises with great chances of making great profit, while government focuses more on saving enterprises that will in turn create any form of employment (Masutha& Rogerson,2014, 2015).

The South African government's main aim is employment; it does not matter whether the jobs are sustainable or not. SMMEs are have been found by empirical studies to be the biggest creators of new jobs compared with old, established companies and government. The South African government's neoliberal macroeconomic policy,NGP, states that economic redress will trickle down to the poor and marginalised through employment; therefore, government's main aim is to get as many HDSAs employed as possible.

As many companies still do not buy into enterprise development, government finds itself having to use whatever means at its disposalto compel companies to participate in initiatives that are aimed at supporting SMMEs. The CEOs of most companies have not been willing to buy into the idea of redressing past economic injustices through enterprise development,as part of economic redress through economic growth and employment for the poor. Government ends up resorting to strong arm tactics because it has no other way of convincing corporate South Africa and because it has leverage on mining houses through licensing, through which it can coerce companies to practise enterprise development in the communities where they operate. Government is forced to use these strong arm tactics because most companies are not fully committed to economic redress; instead, scholars have argued that companies only spend the 3% of their profits after tax, as specified by the BBBEE codes of good practice on enterprise development,because they have no choice but to do something for BBBEE to earn operating licences and social licences(Fröchlicher&Pothering, 2013).

2.5 BBBEE compliance and CSR spend as forms of enterprise development

2.5.1 Enterprise development and corporate social responsibility

Enterprise developmentas as a form of corporate social responsibility (CSR)has been practised in South Africa for many years before the ANC-led government legislated it and made it a legal obligation for companies wanting to score BBBEE points. The mining companies that were practising enterprise development before its legislation under BBBEE were doing it as part of voluntary corporate social responsibility. When the codes of good practice were enacted by government in 2007, enterprise development became one of the ways in which companies, especially mining

companies,could support SMMEs in order to score points that, in turn, could earn a mining company an operating licence and benefit residents of a mining community. As already stated, government lacks the monitoring capacity because the neoliberal policies that it has enacted in collaboration with the private sector prevent it from actively enforcing their implementation.

The lines between enterprise development practice done as a form of compliance with BBBEE codes of good practice and CSR may be blurred, but they are done differently and to achieve different objectives. Enterprise developmentenacted to comply with BBBEE's codes of good conduct are aimed at the economic empowerment of previously disadvantaged people, while enterprise development done to fulfil CSR requirements is usually for the purposes of earning a social licence to operate in certain communities.

The practice of enterprise development as part of the BBBEE's codes of good practice has criteria and a scorecard to measure the contributions made by a given company to a beneficiary entity, but never the impact of such contributions. The BBBEE's code series 500 definescontributions that a mining company can make to a beneficiary, including among others, business funding, business incubation and providing security on behalf of SMMEs when applying for business loans. A company can earn points ranging from 1 to 15 depending on the contribution made to a beneficiary entity. CSR, on the other hand, has no codes to guide companies on how they can contribute; it only specifies that a certain percentage of profit after tax can be spent, with no instrument to measure the contributions made (BBBEE Amendment Act).

Corporate social responsibility is defined as 'The notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law or union contract' (Hilson, 2012:131).CSR spend on enterprise development is not a legal obligation but a voluntary act by any company wishing to gain 'social licence' from a community in which it operates. Social licence in mining is defined as 'when a mining project is seen as having the broad, ongoing approval and acceptance to conduct its activities' (Joyce &Thomson,2000; Boutilier& Thomson,2011).

Mining communities can disrupt mining activities through strikes or sabotage if they feel a mining company does not involve them in their activities besides through employment. Prno and Slocombe(2012) in their study of social license to operate cite examples by other authors on how to obtain and retain social license to operate, 'which include the need for early, ongoing communication; transparent disclosure of information; development of conflict resolution mechanisms; and culturally appropriate decision making' (347).

Many companies choose not to participate in enterprise development, citing several different reasons, among them the ambiguity of the enterprise development process as described in the codes of good practice. However, the same companies are willing to spend money to fund projects that sometimes include enterprise development as part of their CSR spend (Fröchlicher&Pothering, 2013). Arya and Bassi (2011) argue that, given South Africa's social and racial imbalances in the economy, CSR efforts by private companies should not be voluntary but should be enforced through regulation and motivation. The motivation and regulation of CSR legislation could take the form of pressures, incentives and benchmarks by peer companies for promoting good corporate conduct. They further argue that only through government legislation and the enforcement of the legislation can meaningful economic redress be realised (Arya &Bassi, 2011; Rogerson, 2011).

The Mining, Minerals and Sustainable Development (MMSD) report commissioned by big mining companies such as AngloAmerican and BHPBilliton took a similar stance asArya and Bassi(2011) on CSR and economic redress in mining communities, by saying 'voluntary approaches alone are insufficient where there is a compelling priority' (cited in Hamann, 2004). The Truth and Reconciliation Commission's (TRC's) final report implicated large mining companies in thedesign of the blueprint of apartheid's migrant labour system which led to the distraction of social fabrics in black communities, as they were direct beneficiaries of the unjust apartheid laws that legislated the payment of meagre salaries to black people (TRC (2003) as cited in Hamann, 2004).It is therefore part of the mining companies' responsibility to commit to the development of mining communities (Rogerson, 2011).

The South African government has sovereignty over all minerals in South Africa and that givesitleverage to make mining companies engage inenterprise development practice; in this way, mining companies can earn annual operating licences from government if they have fulfilled the requirements of the codes of good practice (Hamann, 2004). Licencing leverage gives government a little bit of muscle to enforce the legislated BBBEE's codes of good practice, but the fact remains that government and mining companies do not measure the perceived impact of the money spent by mining companies on mining communities. Literature suggests that companies do CSR or comply with the codes of good practice with the aim of gaining social licence in the communities where they operate because they do not want disruptions caused by unhappy communities through protests or sabotage.Based on available literature, it can beconcluded that companies are not interested in economic transformation but in pacifying the communities where they operate for the smooth running of their mineral extraction operations (Prno&Slocombe, 2012: 346; Owen &Kemp, 2013).

There is also growing advocacy among nongovernmental organisations (NGOs) and governments for mines to not only make profit from the extraction of minerals but also ensure that the mining communities where they operate benefit economically, socially and environmentally (Hamann, 2003). Hamann(2003) argues that, in order for enterprise development conducted by mining companies to have an impact on the mining communities where they operate, it should be incorporated into a company's core business i.e. it should be part of a mine's corporate strategy, not just a by-product (Rogerson, 2011).

Government can still indirectly coerce mining companies to practice enterprise development through its leverage over licencing, but it lacks the capacity to assess whether they are complying with the codes of good practice or whether their CSR spend has a significant positive impact on the entrepreneurs operating in mining communities. Some mining companies in South Africa use CSR funds to develop enterprises as part of the codes of good practice, but the question is:How much impact does the enterprise development practice by mining companies have on mining communities? In South Africa,compliance with the BBBEE's codes of good practice and CSR spend create blurred lines because theyare both done to redress past economic injustices and serve the communities' needs, thereby making both

enterprise development practice and CSR spend competing, politically driveninitiatives (Hamann, 2003).

The fact that mining companies in South Africa enact enterprise development as part of their CSR shifts enterprise development from meaningful economic redress to mere acts of philanthropy. The literature suggests that mining companies only spend the required 3% of their profit after tax on enterprise development,without monitoring whether the money spent has a significant positive impact on the mining community's socioeconomic wellbeing (Hamann, 2003; Fröchlicher&Pothering, 2013).

Mining contributes a significant percentage to South Africa's GDP. The ANC government's policies force it to sit back and hope that mining companies will use their massive profits to contribute to redressing past economic injustices through black equity ownership, employment equity, share ownership scheme, human resource department, affirmative procurement and beneficiation. The World Bank is the biggest advocate of mining as a form of poverty reduction in developing countries. The argument by the World Bank is that mining can reduce poverty through employment (Pegg, 2006; Kemp,2009). South Africa, following the World Bank's advice, drafted policies aimed at redressing politically created economic conditions, focusing on mining companies that benefited from discriminatory apartheid labour laws and those that are not willing to voluntarily use a small portion of their profit to redress past economic discriminations (Arya &Bassi,2011).

The literature has,however, produced empirical evidence that proves that mining in developing countries – especially those countries which receive more than 50% of its GDP from mining – do not reduce poverty; instead, mining has a negative impact in the communities where they operate. The negative effects of mining in mining communities include the spread of HIV by migrant labourers and corruption by politicians. Empirical studies found that mining does not create many jobs,although it makes big profits from mining operations and big revenues for government (Pegg, 2006).The difference with South Africa is that mining does not contribute more than 50% of its GDP, but the findings that mining does not create more employment apply.

South Africa is classified as a developing country and, according to the literature, developing countries experience similar problems when it comes to drafting legislations that guide and monitor extractive companies to benefit the communities in which they operate, for example, theabsence of measures to monitor the meaningful implementation of BBBEE. The problems, as stated, are corruption and the lack of capacity to enforce legislations on beneficiationof mining communities. This leaves companies with the responsibility of self-monitoring. Mining companies in South Africa do not behave differentlyfrom those in other developing countries because their governments do not have measures in place to enforce the BBBEE legislation that requiresmining companies, among other things, to develop entrepreneurs in the communities where they operate (Rogerson,2011; Hilson,2012).

Government may have leverage on mining companies through licencing, but mining houses also have lobbying powers to make government bend to its wishes because it provides jobs to voters who keep the ruling party in power. Government cannot afford to have many people losing jobs over the enforcement of legislation aimed at economic redress, some of which involves the creation of jobs. Put differently, if a mining company that employs 10 000 people threatens to leave the country because its shareholders feel government is using BBBEE to interfere with its business and it is struggling to make profit,the government may have to make concessions for this mining company to prevent it from moving operations to another country as 10 000 people could lose their jobs.

Hilson(2012) argues that, for CSR to be a success, there must be legislation that guides companies and it must be strictly enforced. However, in South Africa the enforcement of legislation dealing with economic redress is very weak; therefore, companies practiceenterprise development on voluntary basis. The codes of good practice are aimed at guiding the enforcement of activities aimed at economic redress such as enterprise development. Only those companies that procure from government or supply government and those that need licencing from government comply with the codes of good practice, as they need to produce proof to government of what they have done to empower HDSAs annually.

Gifford et al. (2010) argue that communities around mining operations are poor, vulnerable and lack government protection, regulation and oversight. The South

Africangovernment has the BBBEE codes of good practice and the Mining Charter to guide mining companies in, among other things, developing entrepreneurs in poor and vulnerable communities, but does not have the measures to enforce its implementation. Gifford et al. (2010) further argue that mining brings with it bad effects, such as the influx of new residents to a mining community. The influx of new residents changes the way of life of these communities; therefore, mines should fund the training of management and the development of SMME's in mining communities to help deal with the growing need for new enterprises (Gifford et al., 2010). In South Africa, the development of enterprises in mining communities is not intended to deal with the influx of people to a mining community but as part of economic redress for the historically disadvantaged people of South Africa (Department of Mineral Resources, 2016).

Economic redress is a political act by government to attempt to redress economic injustices that are a result of political actions by the former apartheid government. The idea of economic redress is a great one but is very difficult to realise in South Africa because of the black economic empowerment model adopted by the current ANC-led government, namely itsneoliberal economic policies aimed at economic redress, including guidelines set by the World Bank in guiding developing nations to use mining to develop their economies and benefit the poor. The World Bank advocates the liberalisation of markets and non-political interventionby governments in the running of mines' operations (Campbell, 2012; Pegg, 2006). As already stated, the South African government drafted and adopted neoliberal macroeconomic policies such as GEAR in line with the World Bank'sguidance. The adoption of neoliberal macroeconomic policies means that the development of entrepreneurs in mining communities will only be done as part of a mining company`s CSR, not a legal obligation towardseconomic redress. It is a cause for serious concern when enterprise development is done as a philanthropic act because meaningful economic redress may not happen as companies do it only to gain operating and social licences (Owen &Kemp, 2013).

Some scholars argue that the relegation of government from intervening in the enforcement of economic empowerment to mining companies and the growing advocacy for mines to do CSR blur the lines of responsibility on whose responsibility it is to provide basic services such as education and healthcare, as well

as the development of entrepreneurs. In South Africa, government funds the development of enterprises and mines are required to develop enterprises as part of their compliance with theBBBEE code of good practice. The development of enterprises by mines is not compulsory nor is providing basic services the job of mines, but because of South Africa's past economic injustices, the lines of responsibilityare blurred and the mines are required to provide some of the services that are the responsibility of government. If a mining company seesenterprise development as costly in money and man hours, it may opt for another project that will reward them with the same points as enterprise development so as to stay in government's good books with regards to compliance with policy.

Corporate social responsibility spend is not suitable to deal with challenges that face mining communities in South Africa because of the historical context of the economic conditions those communities are faced with. Banerjee and Tedmanson (2010) argue that companies and institutions that created the problems within mining communities based on racial policies cannot bring about economic redress and that the conditions of those communities are fully understood only by the inhabitants of those communities, as their condition is a lived experience. The difference between the conditions of the communities in mining areas of South Africa and in other parts of the developing world is that, in South Africa,that the exploitation of black employees was endorsed and legislated by the state, therefore making economic redress for black people a political project, not a philanthropic act. However, South Africa's neoliberal economic policies make economic redress seem like acts of philanthropy by mining houses to gain legitimacy and social licence in mining communities, not a political act aimed redressing past unjust political acts.

Banerjee and Tedmanson (2010) argue that, when attempting to address these economic problems, the country's racially motivated economic discriminatory past should not be ignored but be taken into serious consideration. They further arguethat most companies, if not monitored,can spend millions of rands in the so-called development of enterprises in mining communities but without developing sustainable enterprises and that community members should always be involved when decisions affecting them are made.

The development of enterprises in mining communities raises the question of economic sustainability in the community after mine life has come to an end. According to Campbell (2012), critics of CSR argue that community development is bound to be short-sighted and unsustainable, as mine life span is short and it is not part of a mine's main objectives of making a profit and beingaccountable to its shareholders. Taking South Africa's history of the economic exclusion of the black majority into account, and how mines were and still are beneficiaries of migrant labour, small wages and bad living conditions, mining companies must contribute to each mining community'sdevelopment so that, when the mines leave,the mining communities do not turn into ghost towns but remain economically sustainable communities.

According to McFaul et al. (2013), CSR can only have significant impact if mining companies adopt the bottom-up approach whereby mining companies consult all stakeholders (tribal authorities and local municipality) in a community before undertaking to spend money on projects that are meant to benefit the mining community. They argue further that mining companies should not go looking for entrepreneurs, but should wait for those with sound business ideas to approach the mine for funding and support, and that communities should be informed of the funding opportunities available.

McFaul et al. (2013) argue that, to gain the cooperation of mining communities and to implement successful community development projects,mine management should engage the community through collaboration and empowerment; local community members should be involved, interested and willing to engage in the development of the community. The problem with CSR as a philanthropic gesture is that it is done from the top down and the things that a mining company thinks a community needs may not be desired or sustainable.

The case of Anglo Platinum in Limpopo is an example of how collaboration and empowerment can help mining companies implement community development programmes successfully. The bad environmental and social effects of Anglo Platinum's mining operations were bigger than the benefits in a mining community in Limpopo.The community protested against the bad effects of mining,until Anglo Platinum listened to their complaints and forged a relationship

with local municipality to assist in providing basic services to the affected communities.This was a success as the community was involved through collaboration and empowerment (ActionAid(2008) cited in Rogerson, 2011). However, the lines of responsibility were blurred as the Anglo Platinum mine was taking the responsibility of government by providing services to the community.

Collaboration and empowerment involves consultation between mining companies, local government and civic society, and in some areas the tribal authority, about the needs of the community and how they can be met. When communities are consulted about their needs, they feel they are part of the community development; so, they support it and make it their own, which results in the success of these community development projects undertaken by mining companies with the collaboration of civic community and local government.

Rogerson (2011) furthers this discussion about collaboration and empowerment by adoptingan argument by the International Council on Mining and Minerals (ICMM).The ICMMargues that 'more collaborate action and stronger partnerships between mining companies, government, civil society organizations and donors are needed to unlock the full potential of mineral wealth' and that the 'more partnerships between companies and other stakeholders, can be the most effective way to strengthen mining's social and economic contribution' (ICMM (2008) cited in Rogerson, 2011: 5408).The council contends that partnerships can deepen the impact of socioeconomic contribution from mining companies and leave a sustainable economic impact on a mining community.

The ICMM maintains that partnerships can help reduce poverty by creating jobs, small enterprises and entrepreneurs, and increase access to basic services for politically marginalised people. The creation of micro-enterprises would lead to job creation and, in turn, sustainable economic activities in a mining community, so that even if a mine were to close operations, the community would not become economically unsustainable. AngloAmerican's Zimele(an initiative aimed at empowering HDSAs) is an example of how a mining company is successfully funding and supporting the development of enterprises that create employment for people living in and around mining communities (Rogerson,2011).

There are many ways that people who live in mining communities can benefit from a mining company's compliance with the codes of good practice.The benefitsinclude employment equity, skills development, ownership, preferential procurement, social investment and enterprise development (Arya &Bassi, 2011). One of the ways in which people living in or around mining areas could benefit from a mine's compliance with BBBEE codes is enterprise development.

Most mining companies develop entrepreneurs and enterprises in the form of suppliers to supply their mines with products or servicesthat a mine needs to conduct its daily operations. Supplier development is defined as 'a kind of cooperation between a buyer and a supplier to seek continuous improvement in supplier performance and, at the same time, strengthen the buyer`s competitive advantage' ((Hahn et al.,1990; Krause,1997,1999; Vickery et al.,2003; Wagner, 2011) cited in Li, 2012).According to (Fröchlicher&Pothering,2013), enterprise development has not met its intended economic impact because those that undertake to do it donot have the competency or drive to execute it successfully, leading to most companies doing it just to comply with BBBEE codes.

Fröchlicher and Pothering (2013) argue that enterprise development has had little quantifiable impactbecause companies, for example, develop suppliers that are not part of their core business and therefore less effort is directed to the growth and profitability of the developed enterprises. They continue to say that, if the corporate sector were to adopt an impact investing approach, profitable and sustainable enterprises would be developed (Fröchlicher&Pothering,2013).

According to Li et al. (2012), the development of suppliers can occur if any of the following deeds are conducted properly: increasing supplier performance goals, providing suppliers with training, providing suppliers with equipment, providing technological support, exchanging expert personnel between a buyer and a seller, evaluating performance and recognising supplier progress in the form of awards (Li et al., 2012). Fröchlicher and Pothering (2013) maintain that corporate South Africa does not assess supplier performance nor reward supplier progress, because the buyers are not procuring the services or products for their companies' core business, but just to comply with BBBEE codes. Buyer companies cite the lack of skills of

suppliers for not procuring products and/or services for their companies' core business.

Skills shortage is a challenge that can be dealt with if both corporate and government work together to upskill people who live in mining areas (Rogerson, 2008). Wagner (2011) differs with buyer companies' or corporate South Africa's claims that suppliers should have all the supply skills when they begin supplying an established company. The argument he puts forward is that trust is very important in a supply chain life cycle, between a buyer and a supplier, such that the buyer must have the trust in the supplier`s ability to learn and grow to be a good supplier. He suggests that the buyer should begin the supplier–buyer relationship by choosing an indirect approach, which would involve companies not committing a lot of resources in the relationship; with time and experience, the relationship will grow to the point where the firms will trust each other enough to share expertise that will help the buyer be competitive by having a very capable and trustworthy supplier, while the supplier will also grow in size, profit and number of employees, and even diversify its supply of products and/or services(Wagner,2011).

To further counter corporate South Africa's argument that they cannot work with small suppliers because they lack the skills and capacity to supply big companies, Fogel(2001) argues that big companies and government should provide non-financial assistance to entrepreneurs to allow them to develop skills and capabilities to supply big companies or government. Non-financial assistance includes conducting market studies, managing a business, handling cash flow and business incubation. In addition, business incubation could help small businesses significantly byproviding small businesses with facilities such as office space, office equipment and laboratories. The incubation of small business can save them from facing a similar fate that has befallen many other small businesses, namely dying out in less than three years.Managers of big companies may ask what their companies will benefit from developing small suppliers; the answer is a diversified supply chain, loyal suppliers, social licence and corporate social investment money well spent through impact investing (Fogel, 2001;Rogerson,2008).

The consensus is that, for supply chain development to be successful, buyers must allow their suppliers the opportunities to supply goods or services to a buyer

company's core business and develop them by granting starting financial capital, providing security for the purchase of assets required for a supplier to be operational, and training and mentoring suppliers. Buyers should also adopt an impact investing approach, because impact investing requires that the buyer invest more than financial capital to maximise the chances of supply chain growth resulting in profit and employment. However, this may not be easy for big companies that already have reliable suppliers who do not need funding or training. Since big companies stand to gain little from developing small suppliers in the communities where they operate, government should make it worth a company's while to do so. A tax break would incentivise companies to engage more in impact investing.

The management of large corporations are hesitant to take part in the development of suppliers because their potential suppliers lack the capacity and business knowledge to supply big companies, such as Anglo American,with products, for example overalls and safety clothing for miners. In addition, they do not want to commit a lot of resources to the development of suppliers through processes such as incubation because they have already established reliable suppliers. The burden is left with government to find ways to create a market for SMMEs (Fröchlicher and Pothering, 2013). To overcome the challenge of corporations not wanting to commit to developing suppliers, a model similar to the USA may need to be adopted and contextualised in South Africa.

The USA was faced with a similar challenge that is facing South Africa: a lack of suppliers with the capacity and capability to supply big corporations or government. An organisation was then formed to ensure that the minority suppliers were meeting industry standards in terms of providing quality products and/or services and running sustainable businesses. The name of the organisation was the National Minority Supplier Development Council and it was formed in 1972. The organisation trained suppliers and established a database for big businesses to easily access those small suppliers (Rogerson, 2012). If South Africa could adopt a similar model the skills shortage challenge would be reduced significantly.

Rogerson (2011) argues that collaborative action can be undertaken by mining companies on enterprise development, employee training and local procurement.For example,mining companies operating in South Africa came together to establish the

mining supplier park development initiative in the North West in an effort to build the capacity of the supplier base for the mining industry. The mining companies involved in establishing the mining supplier park development initiative were Glencore Xstrata, Lonmin and Impala Platinum.

The sharing of enterprise development knowledge and expertise between companies could also be beneficial for companies wanting to comply with the BBBEE codes and entrepreneurs wanting to get into the supply business. Both Anglo American and De Beers are pioneers in using CSR funds to develop black-owned enterprises. They have been assisting black entrepreneurs to start enterprises since the 1980s through Anglo-American Zimele. The knowledge they have accumulated through the years in enterprise development could benefit many companies and suppliers if it were to be shared (Rogerson, 2012).

South Africa has many necessity-driven entrepreneurs who form a big part of the informal economy (Global Entrepreneurship Research Association, 2013) Government, in its effort to reduce poverty and unemployment, should focus on assisting these entrepreneurs in the informal economy to integrate into the formal economy. Assisting necessity entrepreneurs get into the formal economy could take many forms: government could draft laws that make it easy for necessity entrepreneurs to register their businesses with the DTI, comply with tax requirements and reduce tariffs for importedproducts. Government could also incentivise big companies that work with small firms in supplying products and/or services, the servicing of equipment, and the procurement of products and services.

Furthermore, companies could work with people who have experience in the field, for example retrenched or retired employees,who are experienced enough to be able to setup a company with the help of their former companies. Such initiatives by private companies should be supportedby government through policies that make it easy for them to conduct business, as this would help government reach some of its goals of reducing unemployment and poverty. The development of small businesses and their integration into the formal economy would mutually benefit both private companies and government.

The literature demonstratesthat BBBEE's enterprise development and supplier development in South Africa has come a long way,from itsroots in South Africa's

past of economic discrimination of all non-white South Africans and the transition from apartheid to a full democracy. Many different solutions to the problem of economic redress have been suggested. Some of these solutions are rooted in socialist politics, while other solutions are rooted in the globalised neoliberal politics.

The literature also shows that the ruling ANC abandoned its socialist stance and adopted neoliberal politics before taking political power, which led to the adoption of neoliberal macroeconomic policies. The BBBEEis a product of these neoliberal politics.It also shows that BBBEE has, thus far, failed to fulfil its main objective of redressing past economic injustices, because of several factors that range from its neoliberal orientation to the lack of skills and companies not willing to fully comply with the BBBEE codes (Ponte et al., 2007).

2.6 Sub-problem

To investigate whether entrepreneurs and residents of a mining town or township feel that they are benefiting from mining companies' compliance with the BBBEEs codes of good conduct.

South Africa still has a huge economic disparity between blacks and whites. The economic disparities were mainly created by the apartheid government through racist economic policies. It has been 25 years since the end of apartheid and 21years since South Africa became a full democratic state, but the majority of the population (who are also mainly black) are still living below the poverty line. The RDP, adopted by the ruling ANC in the early 90s, was one of the policies legislated to redress past economic injustices. BEE, as part of the RDP,benefited only a few, politically connected black individuals who became multi-millionaires when they secured funding to buy shares in white-owned companies as part of BEE`s economic redress.

The RDP was replaced by the neoliberal market-orientated GEAR andBEE was amended to Broad-Based Black Economic Empowerment in 2003 to facilitate for broader economic redress. The reason for the amendment of BEE to BBBEE was that BEE was criticised for only catering to those who are politically connected. BBBEE was later accompanied by the codes of good practice to help guide those

companies willing to undertake enterprise development, among other things, in order to afford those who were economically disadvantaged the opportunities to participate in the formal economy.

An empirical study found that 75% of companies are not willing to commit to enterprise development and that the 25% of companies that are doing enterprise development mainly fund black entrepreneurs because it enables them to tick boxes of the BBBEE scorecard – these companies never support entrepreneurs with business coaching and business incubation. When the companies that make up the remaining 25% attempt to develop black-owned suppliers oflarge mining companies, they do not give them the opportunity to supply to the core business but only peripheral activities of the business (Fröchlicher&Pothering,2013).The black entrepreneurs that are supplying to the large mining companies are treated like informal entrepreneurs, but the only difference is that they have access to formal markets and they are registered with formal institutions such as South African Revenue Services (SARS).

The majority of black people are not benefiting from the scores of government policies aimed at empowering them economically. Residents of mining communities seem to some of the worst-off communities in terms of the failure of government policies to deal with their impoverished conditions. The BBBEE's codes of good conduct specifically state what a mining company should do to develop the socioeconomic condition of mining communities. There is even a mining sector charter that was designed with the aim ofguiding mining companies in the economic empowerment of historically disadvantaged South Africans.

2.7 Impact of enterprise development practice by mining companies on SMMEs

The support of SMMEs by mining companies can mean the difference between survival and prosperity or death. The development of suppliers of mining companies qualifies as a form of enterprise development practice. According to Li et al. (2012), the development of suppliers can happen if any of the following deeds are done properly:'increasing supplier performance goals, providing suppliers with training, providing suppliers with equipment, providing technological support, exchanging expert personnel between a buyer and a seller, evaluating performance, and

recognizing supplier progress in the form of awards' (p. 354). Fröchlicher and Pothering (2013) maintain that corporate South Africa does not assess supplier performance nor reward supplier progress, because the buyers are not procuring the services and/or products for their companies' core business, but just to comply with BBBEE codes. Buyer companies cite the lack of skills of black suppliers for not procuring products and/or services for their mining companies` core business.

Fogel(2001) argues that big companies and government should provide non-financial assistance to entrepreneurs to allow them to develop skills and capabilities to supply big companies or government. Non-financial assistance includes conducting market studies, managing a business, handling cash flow and business incubation. It is argued further that business incubation can help SMMEs significantly, because it provides them with facilities such as office space, office equipment and laboratories. Incubation of SMMEs can save them from facing a similar fate that has befallen many other small businesses: dying out in less than three years. If managers of big mining companies are curious as to what their companies will benefit from developing small suppliers, the answer is a diversified supply chain, loyal suppliers, gaining social licence and corporate social investment money well spent through impact investing (Fogel, 2001; Rogerson,2008).

The argument is that, for supplier development to be a success, mining companies must give their suppliers opportunities to supply goods and/or services to a buyer company's core business and they should develop them by granting starting financial capital, providing security for the purchase of assets required for a supplier to be operational, and training and mentoring suppliers. Mining companies should adopt an impact investing approach that requiresthem to invest more than financial and non-financial capital to maximise the chances of enterprise survival, as the survival of an SMME means that the supporting company will benefit byhaving a broader supplier base (Fröchlicher&Pothering,2013). However, this may not be easy for big companies that already have reliable suppliers – suppliers who don't need funding nor training. Since big companies stand little to gain from developing SMMEs in the communities where they operate, government should make it worth a company's while to do so. A tax break would incentivise companies to engage more in impact investing (Rogerson,2012).

2.8 Compliance with the codes of good practice

According to BBBEE, enterprise development practice is voluntary,although the spending of 3% of miningcompanies' profit after tax is a legal obligation (BBBEE Act).Arya and Bassi (2011) argue that, given South Africa's social and racial imbalances in the economy, CSR efforts by private companies should not be voluntary but should be enforced through regulation and motivation. The motivation and regulation of CSR legislation could take the form of pressures, incentives and benchmarks by peer companies for promoting good corporate conduct. They further argue that only through government legislation and the enforcement of legislation can meaningful economic redress be realised.

Compliance with the codes of good practice does not only mean funding but also other forms of support. SMME incubation can be in manyforms; among them are business coaching, providing entrepreneurs with office space and office equipment, networking opportunities, and introduction to formal markets. The support offered in incubation is designed to fill the gaps that researchers and scholars have found to be the major contributing factors to small enterprise failure. In South Africa, both the private and public sectors provide incubation facilities to SMMEs, but their selections are different in that the private sector usually selects only those entrepreneurs and enterprises with great chances of making profit, while government is more focused on saving many enterprises that will in turn create any form of employment (Masutha&Rogerson, 2014).

Business incubation could help to speed up the business growth rate and reduce the business failure rate of new businesses, if large mining corporations were to collaborate with government and community stakeholders to find ways to support entrepreneurs within mining community. The large companies that are involved in enterprise development could development strong and sustainable enterprises in the communities where they operate if they were to provide incubation facilities. The benefits of mining companies working closely withSMMEs that are supplying the mines is that the mining companies can train their suppliers and share skills and expertise that will make the new suppliers better in their trades, and the buyers will be more competitive in the industry (Wagner, 2011).

Proposition1: There is a positive correlation between enterprise development practice and SMME survival.

Proposition2: There is a positive correlation between a mining company practicing meaningful enterprise development and SMME growth.

2.9 The impact of enterprise development practice on a mining community's perceptions of a mining company

Community perceptions of mining companies are based on how they support a mining community's socioeconomic development. Mining communities would have high regard for a mining company if it were to work in collaboration with the community. McFaul et al. (2013) argue that, to gain the cooperation of mining communities and to implement successful community development projects, mine management should engage the community through collaboration and empowerment; local community members should be involved, interested and willing to engage in the socioeconomic development of their community. The problem with practicing enterprise developmentas a philanthropic gesture is that it is done from the top down and the things that a mining company would think a community needs may be undesired or unsustainable.

Collaboration and empowerment involves consultation between mining companies, local government and civic society (and in some areas the tribal authority) about the needs of the community and how they can be achieved. When a community is consulted about its needs,its members feel they are part of the development process, so they support it and make it their own, which results in the success of the community development project undertaken by the mining company with the collaboration of civic community and local government.

Rogerson (2011) furthers the argument above about collaboration and empowerment by putting forward an argument by the ICMM that 'more collaborate action and stronger partnerships between mining companies, government, civil society organizations and donors are needed to unlock the full potential of mineral wealth' and that the 'more partnerships between companies and other stakeholders, can be the most effective way to strengthen mining's social and economic contribution'

(5408).The ICMM contends that partnerships can deepen the impact of socioeconomic contribution from mining companies and leave a sustainable economic impact on a mining community.

The ICMM alsomaintains that partnerships can help reduce poverty by creating jobs, small enterprises and entrepreneurs, and increasing access to basic services for politically marginalised people. The creation of micro-enterprises would lead to job creation and, in turn, sustainable economic activities in a mining community so that, even if a mine were to close operations, the community would not become economically unsustainable. AngloAmerican's Zimele is cited as an example of how a mining company is successfully funding and supporting the development of enterprises that create employment for people living in and around mining communities (Rogerson,2011)

Proposition 3: There is a positive correlation between enterprise development practice and the members of a mining community holding positive perceptions about a mining company.

2.10 Conclusion

In conclusion to this literature discussion about the policies aimed at empowering HDSAs, little empirical evidence exists on the impact of these policies on economic redress.However, from the little available empirical evidence from empirical studies, it has been found that very few HDSAs have benefited from policies that have been put in place to benefit the entrepreneurs operating in mining areas.The economic disparities that were created by the apartheid government through racist economic policies still exist today, with no sign of the gap being bridged anytime soon.

The black majority still dominate the shadow economy, while the white minority dominates the formal economy with little hope of any meaningful socioeconomic redress.Because there is little or no meaningful enterprise development practice, this reality is likely to remain, until economic redress policies are implemented to facilitate the full participation of the majority of South African citizens in the formal economy as is their constitutional right. There are several enterprise development practices that have been identified as having the potential to empower

HDSAs:SMME funding and incubation. Incubation of SMMEs could involve the provision of office space and market knowledge in the form of business coaching, as well as the introduction of small entrepreneurs to markets of scale.

Enterprise development	**Supplier development**	**Research instrument**	**Government policy on economic redress.**
The BBBEE`s code series 600 describes enterprise development as 'any quantifiable contribution by an entity to the development of enterprise, the contribution could be monetary or any other quantifiable support offered to the enterprise' (Broad-Based Black Economic Empowerment Amendment Act46 of 2013). Arya, B. &Bassi, B. (2011). Corporate social responsibility and Broad-Based Black Economic	Rogerson, C. (2012). Supplier diversity: A new phenomenon in private sector procurement in South Africa. Li, W., Humphreys, P.K., Yeung, A.C.L. & Cheng, T.C.E. (2012).The impact of supplier development on buyer competitive advantage: A path analytic model. Wagner, S.M. (2011). Supplier development and the relationship life-cycle.	A survey with a five-point Likert scale adapted from Wagner (2011). Krüger, L.P. (2011). The impact of black economic empowerment (BEE) of South African businesses: Focusing on ten dimensions of business performance.	Department of Mineral Resources. (2016). *Reviewed Broad-Based Black Economic Empowerment Charter for the South African Mining and Minerals Industry* Department of Mineral Resources. (2010). Amendment of the Broad-Based Socio-economic Empowerment Charter for the Mining and Minerals Industry

Empowerment legislation in South Africa: Codes of good practice.			

Chapter 3: Research methodology

3.1 Introduction

This chapter focuses on research methods employed when the study was conducted; it also explains why certain research methods were chosen over others and how the researcher applied them throughout the study. The research instrument is discussed, including the reliability and validity of the research instrument when used to conduct the study. The study takes a positivist approach, with a five-point Likert scale survey questionnaire as an instrument of choice, as the study was going to be a quantitative study because the researcher sought to determine the perceived impact enterprise development has had on mining communities in South Africa.

3.2Paradigm

This research took a positivist paradigm in that data collection was quantitative. A positivist approach is viewed as a scientific, rational and empirical way of gathering data that can, in turn, be used in knowledge construction. The assumption with a positivist approach is that the research becomes independent of any external factors such socioeconomic context, personal feelings about the topic and the motivation behind undertaking the research. The problem with this assumption is that, in social sciences, a positivist approach does not consider external influences in the researcher's life and it assumes that data can be extracted empirically without (Ryan,2006).

Stewart and Floyd(2004) argue that traditional research methods have limits byfailing to extract data from a lived experience of research subjects. A positivist approach, for example, assumes that all things are equal; therefore, a scientific instrument will produce the same results over and over even in different communities with different economic circumstances.This approach assumes that scientific instruments are objective and rational, forgetting the personal influences on the choice of research instruments, research topic and collection of data. Positivism has archived a hegemonic status on research methods in business and science because of its supposed scientific accuracy (Wilson, 1995).

3.3Research design

The research design is cross-sectional because the researcher intended to study the perceptual impact of enterprise development on mining communities over time without having to observe the subjects over a lengthy period of time. A cross-sectional study is the observation of subjects at one stage to determine the effects ofintervention by a third party, for example exposure to enterprise development and the impact thereof. A cross-sectional research design was convenient for this study whencompared with a longitudinal study as a longitudinal study would have required many yearsto observe the research subjects and the impact that the intervention of mining companies has had on their enterprises.

Certain challenges have been anticipated by the researcher with regards to conducting the research using a cross-sectional designed research method. The researcher did not choose entrepreneurs according to a specific age group, how long an enterprise has been in existence, how long a mine has been operating in a certain community or how long it has been complying with the BBBEE's codes of good practice, but by the proximity of the enterprise to a mine. This could have affected the means and/or standard deviations because their starting points(when either the enterprise was started, or the mine started operations or began supporting a mining community enterprises) are different, therefore affecting their opinions about enterprise development practice by a mining company and its perceived impact. This would as a result affect the results of the study (Kraemeret al., 2000).

3.4Population and sample

3.4.1 Population

The population for the study was black male and female entrepreneurs of a range of ages from 18, from three mining towns situated in three provinces: Emalahleni(formerly Witbank), Westonaria and Rustenburg in Mpumalanga, Gauteng and the North West provincerespectively. Only black respondents were given the opportunity to complete the survey questionnaires as BBBEE's enterprise development empowers black people only. Respondents across all education levels were part of the study. No conscious decision was made to discriminate against a

certain gender, age group or level of education, as that would have meant that the sampling method was subjective. The reason for limiting respondents to SMMEowners and/or managers is that they were thought to have extensive knowledge about the support that mining companies are providing to SMMEs in mining communities.

3.4.2 Sample and sampling method

The projected sample for this study was 200 black SMMEentrepreneurs. Factor analysis was the method chosen to analyse data; therefore, a sample bigger than 120 respondents was required to perform factor analysis.The target responses aimed for in this study was 200 to accommodate non-response bias (Lee,2010).The researcher distributed 45% of the questionnaires in Emalahleni, 20% in Westonaria and 35 % in Rustenburg.The distribution was based on the mining activities of each mining town and the relative size of the mining community, with Emalahleni being the biggest mining community, Rustenburg the second biggest mining community and Westonaria the smallest (Sinwell&Mbatha, 2016). The sampling method was a purposive method as the researcher focused only on black entrepreneurs.Purposive sampling is a method that deliberately and consciously chooses a sample from a specific demographic with the aim of answering a question that affects only the demographic. In this instance, the successes and failures of BBBEE can be measured by studying its perceptual impact on the black community; therefore, the sample only included black people (Tongco, 2007).

The sample for this study was chosen using a non-probability sampling method. The sampling technique employed in this research was purposive in that certain groups of business owners from certain areas were targeted as respondents in the survey (Baker et al., 2013). Since the study was undertaken to measure the perceived impact of a mining company's enterprise development practice on a mining community's socioeconomic circumstances, only black SMME owners were chosen as participants in the study. As already stated, the targeted population group was black South African SMME owners, both male and female, with ages from 18 and older, from three mining towns inthree South African provinces. The entrepreneurs had to be in close proximity to a mine and serve a mining community. The SMMEs range from

grocery store owners, internet café owners, accommodation owners and caterers who serve breakfast and/or lunch to miners, to taxi owners who transport miners to work.

3.5The research instrument

The research instrument chosen for the study is a five-point Likert scale survey questionnaire. The five-point Likert scale was chosen because it was used in a similar study by Krüger(2011), in which a questionnaire was adapted to measure people's perceptions of the 'impact' of BEE on South African business, focusing on ten dimensions of business performance. The responses to questions about 'the impact of BEE on South African businesses' were based on the perceptions of business owners and captured using a five-point Likert scale, making it a perfect instrument for this study (Krüger, 2011).

The research questionnaire used in this study was put together using examples of similar scales used by Wagner and Krüger in 2011 in similar studies. These scales were duplicated for this research and adjusted to measure what the researcher intended to measure (Wagner,2011;Krüger,2011).

The survey questionnaire contained 25 statements, with respondents required to state how much they agree or disagree with each statement by choosing a number between 1 and 5,with 1 representing strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 representing strongly disagree. Five or fewer statements/questions were based on each construct. The first construct was enterprise development practice; itfocused on the contributions made by a mining company to beneficiary entities, for example, the funding of small businesses, development of suppliers or business coaching and SMME survival. The second construct was the socioeconomicimpact of enterprise development on mining communities; it focused on the economic impact of enterprise development practice by a mining company in a mining community, by enquiring whether local entrepreneursfelt that the community had benefitted economically through the development of small businesses and skills development by mining companies operating in their community. The third construct was the perceived BBBEE compliance by a mine; it focused on mining companies' compliance with the codes of good practice. The fourth construct focused on the mining communities' perceptions of a mining company, based on the relationship

between the mine and the community.The fifth construct was the perceived impact of enterprise development on the failure or success of SMMEs by mining community entrepreneurs.

A survey was the appropriate research tool for this study because it wasintended to reach a large sample of respondents in a short space of time. The researcher took the survey questionnaires to SMMEs operating in the chosen mining communities. The quantitative survey helped the researcher to capture information about what is being studied, namely the perceptual impact of BBBEE's enterprise development practice on mining communities in South Africa, numerically. The researcher askedSMME owners and managers questions relating to support from the mine in the form of skills development, financial support and business coaching, as well as to what extent the mining companies consult entrepreneurs about their needs and their compliance with BBBEE requirements. The responses were captured numerically from 1 to 5.

3.6Procedure for data collection

The researcher physically took the survey questionnaires to respondents and collected all the completed survey forms in person. The researcher gave possible respondents the option to either complete the survey on the spot or for the researcher to return at another time or on another day to collect the completed forms. All completed batches of survey questionnaires were labelled to remind the researcherabout where certain responses came from and to track the percentage of respondents that completed the survey.The researcher then entered the data manually into an excel spreadsheet before importing the data to a statistical software package for analysis.

There was a higher response and completion rate of survey questionnaires that were hand delivered to respondents. The researcher sometimes had to read and explain the survey questionnaires to respondents who did not fully understand the statements. The other advantage of hand delivering the surveys was that very few surveys were incomplete, as the researcher was able to explain statements to those respondents who did not fully understand them. Survey questionnaires usually have high

response rates because they are easyand cheap to distribute, they are easy to complete and it is easy to extract information from them(Bryman,2011).

3.7Data analysis and interpretation

Once the data had been captured, it was analysed for mistakes and missing data, for example, if an observation was missing data for some of the constructs because the respondent did not see it or chose not to answer. The researcher had intended to delete questions that were not completed in full. Questionswould only be deleted if the omitted questions had a negative impact on constructs such as enterprise development practice. In the end, no questionswere deleted because the surveys were completed in full. The reason that all the surveys were completed in full is because the researcher assisted in the completion of the survey by clarifying statements that respondents did not understand.

The factor analysis methods used for data analysis and interpretation in the study were convergent validity andconfirmatory factor analysis. Convergent validity was used because internal reliability(Cronbach's alpha) was assessed by looking at whether responses were consistent and similar. Confirmatory factor analysis was used to measure the extent to which certain variables, which were specified to belong to a construct such as enterprise development practice, fit with the data responses (Lee,2010).

If after factor analysis and Cronbach's alpha there was an inconsistency, the observation would be removed. An example of an observation that was going to be removed from the dataset wasthat of a respondent who did not answer whether the mine is giving sufficient financialsupport or any other form of support to black entrepreneurs in the mining community. The perceived impact of enterprise development on the community could not be ascertained if it was not clear whether residents received some form of support to start, run or grow abusinesses, how much support, and whether they felt the support was sufficient to start a business. However,if the question was not significant enough to impact on the construct, it would beretained and the researcherwouldfill in the missing data using the average of all the observations.

The data was also tested for standard deviation to measure the spread of data away from the average, as this tell the researcher whether the data is evenly distributed or not. The standard deviation was done through the normal distribution analysis, to check whether average can be trusted when analysing the results. It is very important to know whether data is evenly spread and how far away from the average it is spread, so that when analysing the data, the average can or cannot be said to hold much weight on constructs, for example, if the average entrepreneur or business owner said there was not much impact on his business as a result of support or lack thereof from a mining company's enterprise development practice(Lee, 2010).

The research studied the perceptions of inhabitants of a mining community, about whether they think the mining company operating in their community supports the development of small businesses and whether they think such support contributes to the survival and ultimate growth of such SMMEs. Since enterprise development is a part of the BBBEE policy, the questionnaire also posed questions to ascertain whether the residents of a mining community are aware that a mining company is required by legislation to use its CSR to, in part, contribute to enterprise development practice in a community where it operates, as part of its adherence to BBBEE. In determining whether respondents thought there was a relationship between enterprise development practice by a mining company and SMME survival and growth, correlation was the data analysis method used(Lee, 2010).

If there was a positive correlation, when the mining company was providing support to small businesses, the small businesses would have also performedwell, but if there was a negative correlation, when a mining company was providing supportto SMMEs, the SMMEs may not have performed as well.The study was intended to analyse the impact of enterprise development on mining communities and the degree of the impact, so ifit was found that therewas a correlation, to measure the degree of the correlation, the covariance of the correlation had to bemeasured:what was the impact of the support and by how much did small enterprises grow, or were these enterprises able to get into the formal South African economy (Lee,2010).

Correlations wereanalysed using graphs that show either positive or negative linearity. With positive linearity, when one variable is high, the other variable is very likely to be high;when one variable low, the other variable is low. With negative

linearity, if one variable is high, the other is low, and vice versa. Linear association is what is needed for a study that wants to investigate the impact of one variable on the other variable and the covariance of the correlation, for example, if there is a positive linearity, the researcher could conclude that there is an impact on mining community entrepreneurs resulting from the support provided by the mine(Bartone et al.,2009; Stacey,2005,2006).

3.8Limitations of the study

South Africa has many mining towns, with almost all nine provinces having some kind of mining activity regardless of the size of the mining operation. Three mining communities were too few to be fullyrepresentative of the entire South African mining community population's opinions.

Choosing SMME owners as the only respondents in the study may have limited or even skewed the outcomes of the study because only their perceptions of the impact of enterprise developmentin their communities were recorded, and not those of big businesses.

Many of the respondents were not familiar with BBBEE and the legal obligations of mines to help develop economically the communities where they operate.

3.9 Validity and reliability

3.9.1 Validity

The validity of the test instrument was guaranteed by using an instrument that was used in a similar study on production economics conducted in the USA by Wagner in 2011. The research instrument that was used was a survey questionnaire (Wagner,2011). Content validity was ensured by basing the research topic on literature that has covered the topic of enterprise development and supplier development intensively, and drafting questions and hypotheses that address the main construct of the perceptual impact of enterprise development on community entrepreneurs.

3.9.2 External validity

According to Cooper and Schindler (2011),external validity refers to the extent to which a test measures what the researcher actually wishes to measure. The test instrument was validated by using an instrument that was used in a similar study conducted by Krüger in 2011. Krügerstudied'The impact of black economic empowerment (BEE) on South Africanbusinesses', focusing on ten dimensions of business performance. He used asimilar instrument to measure perceptual impact of BEE on ten areas of business performance .He tested the validity of the instrument by conducting a pilot study with 15 respondents and made thenecessary changes based on the responses, comments and feedback (Krüger,2011).A pilot project was also conducted for this study with 16 respondents; the recommendations by the respondents, supervisor and statistician were implemented, and additions andamendments were made to the final survey questionnaire that was sent out.

3.9.3Internal validity

Internal validity is concerned with whether the conclusions drawn from an experimental relationship truly imply cause. Internal validity focuses on reducing the influence of external factors on the sample`s responses to the survey.For example, if a survey were sent out to supply chain owners in September 2011 to assess whether they received support in the form of business coaching, then an enterprise development practitioner were made aware of it and asked his colleagues to provide business coaching to the supply chain owners before they could complete the survey and send it back. The enterprise developmentpractitioner`s intervention may affect how the supply chain owners completed the survey, as business support would have then been offered and have impacted SMMEs (Cooper &Schindler,2011). The researcher instructed the respondents to disregard anything that happened after receiving the survey questionnaire, as it wouldaffect the results of the study.

3.9.4 Reliability

Reliabilityis concerned with whether the scales or any other statistical methods used have been proven to be reliable whenever they were used. The Likert scale was used in this study and it has been proven reliable in all the studies conducted on enterprise development by scholars such as Wagner in 2011. Reliability of a research

instrument means that, whenever the Likert scale has been used in a study, it has never been found to produce inconsistent results (Cooper &Schindler,2011). The scale reliability was tested and the results are in Chapter Five of this research report.

Internal reliability assesses whether the answers to different items in a multi-item scale tend to be consistent when people answer the scale, meaning that respondents answered commitment questions roughly the same way. Cronbach's alpha is used to assess internal reliability on a multi-item scales. When assessing the internal reliability of a single-item scale, the Cronbach's alpha should be greater than .65, and if the Cronbach's alpha is .80, then it is good. Any internal reliability score lower than .65 is bad, as there is no internal reliability. A bad internal reliability score can be caused a few deviant items or if items do not fit together across the board. Removing the item that does not fit may strengthen the Cronbach's alpha into an acceptable .65 or a good .80 (Lee,2010: 99–1).

The design of the study was cross-sectional because the researcher intended to study the perceptual impact of a mining company's enterprise development practice in a mining community over time without having to observe such impacts over time. This was achieved by asking SMME owners and managers responding to the questionnaire to state whether they think mining companies have been practicing enterprise development and what the perceived impact of such practice is, with the data captured manually for analysis by a statistics package. The validity and reliability of the study instrument was ensured by basing it on similar instruments created and employed by Wagner and Krüger in a similar, separatestudies in 2011.A pilot study was further conducted to test the effectiveness of the instrument. The pilot stage had a low response rate of 40% but the actual study had a response rate of 65%. It was discovered that hand delivering and collecting the responses was more effective. The population that participated in the study was made of black SMME owners or managers from the age of 18 or older, in mining communities in Mpumalanga, Gauteng and the North West.

3.10 Consideration of ethics

The participants in the study were black SMME owners in mining communities with education levels ranging from primary level to postgraduate levels. The colour of

their skin means they are classified as previously disadvantaged South Africans. As the object of the research, they are seen as vulnerable to powers that be, which could include the researcher, mining companies and a government. A researcher, in his/her endeavour to obtain data, is burdened with protecting the researched against the powers that be.To ensure the protection of the participants, anonymity was guaranteed by not requesting the names of the participants (Anteliz et al.,2001).

Participates had a right to make an informed choice about whether to participate. The researcher informed all participants that the research was academic, that participation was voluntary and that they could request to see the findings of the research that they participated in. Clarity-seeking questions were answered to ensure that all participants understood what they were participating in. Participants were also left to complete the questionnaires alone so as not indirectly influence how they completed it. The researcher also withheld his personal opinions about the questionnaires with the participants,as that could have blurred the professional line between the researcher and the researched (Puchner&Smith,2008).

3.11 Conclusion

In this chapter, the research methods employed in the study were outlined and explanations of why certain methods were chosen. The research design is cross-sectional because the researcher wished to study the perceived impact of enterprise development practice by mining companies in a mining community over a long period of time without having to conduct a longitudinal study, as that would have needed more time and resources. A cross-sectional study meant that respondents could indicate,through a questionnaire, at one stagewhat they think the impact of mining companies' intervention or lack thereof in enterprise development practice of SMMEs based in mining communities was. The population was in Emalahleni, Westonaria and Rustenberg, and the sampling method was purposive as the researcher focused only on black entrepreneurs.

The research instrument chosen for the study was a five-pointLikert scale survey questionnaire, because the researcher could use it to extract answers regarding black entrepreneurs' perceived impact of mining companies' enterprise development in mining communities. The survey questionnaires were hand delivered and completed

questionnaires were collected. Possible limitations were also outlined, and the validity and reliability of the research instrument was discussed in detail. Validity looks at the extent to which a test measures what a researcher wishes to measure, while reliability is concerned with whether the instrument used in the study has been proved reliable whenever it has been used in previous studies.

Chapter 4:Presentation of results

4.1 Introduction

This chapter presents the results or the findings of this study.The results will be presented in writtenand visualforms using statistical graphs and tables; however, the results will not be discussed as the discussion of research results occursin Chapter Five. Only the results that are related to the hypotheses arepresented and described in this chapter. The presentation of results is in the following format: first, the demographic profile of the respondents will be first, describing the similarities and differences between what the researcher had set out to obtain and what was obtained then propositions will be presented and the results pertaining to the propositionsbe presented in a graph and then described.

4.2 Description of demographics

The study focuses on the perceptual impact of enterprise development on mining communities in South Africa. Enterprise development is BBBEE practice that companies operating in South Africa engage to comply with the government's requirements and to prove their commitment to the redress of past economic injustices for the majority black population. The respondents in the study were from mining towns: Emalahleni in Mpumalanga, Westonariain Gauteng and Rustenburg in the North West. Only black entrepreneurs were part of the study as they are the beneficiaries of BBBEE legislation. Only 126 fully completed responses were obtained. Out of the 126 respondents, 67 were from Emalahleni, 39 were from Rustenburg and 20 were from Westonaria.

The two age groups of the respondents were 14 to 35 and 36 plus. The businesses owned by most of the respondents were grocery shops, *chesanyama*('buy and braai'), taverns and hair salons, but there were also pizzerias, record shops, internet cafes and car washes. The businesses owned by the respondents were small and were what the GEM report (2013) describes as necessity enterprises, meaning they were started to support the owner financially, with little chance of growing into big companies.

The following graphs depict the demographic distributions of the respondents' ages, genders, levels of education and business experience. Figure 4.1. shows the percentage of women and men who completed the survey out of the 127 respondents. Women made 41% and men 59% of the total population of respondents. The gender distribution did not show a large gap, witha difference of only 9%.

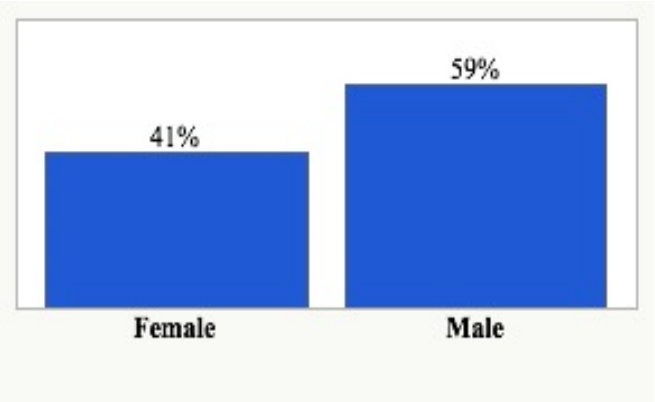


Figure 4.1 Gender frequency

There was a big age disparity in the population'sage groups,in that most of the respondents were youth at 82% and adults accounted for a mere 28%. Figure 4.2 depicts the percentage of youths and adults in the study. In South Africa, youths are between the ages of 14 and 35, while adults are 36 and older.

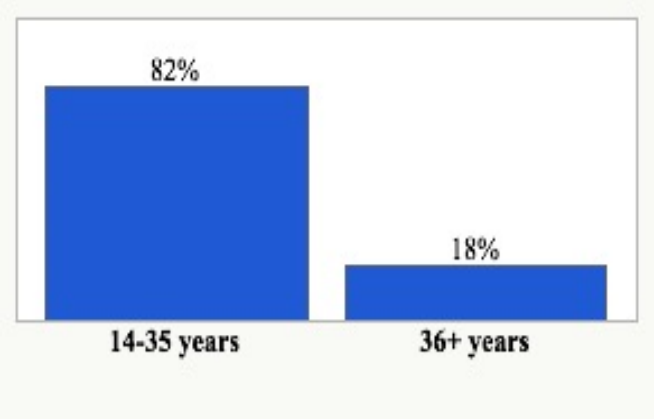


Figure 4.2 Age distribution

Mining communities have very low literacy rates. Very few respondents had tertiary educations, while most of the respondents had theirmatrics. The low level of education may have an impact on the kind of businesses the respondents chose to

start and run. Entrepreneurship theory tsates that people with low levels of education are likely to start businesses with little chance of growing into big companies. There were more people with primary school education than postgraduate education in the population, at 17% and 3% respectively. Including youths ranging from 14 to 35 may also have contributed to the large number of respondents having matric, as they are of matriculating age. Figure 4.3 illustrates how the population indicated their level of education.

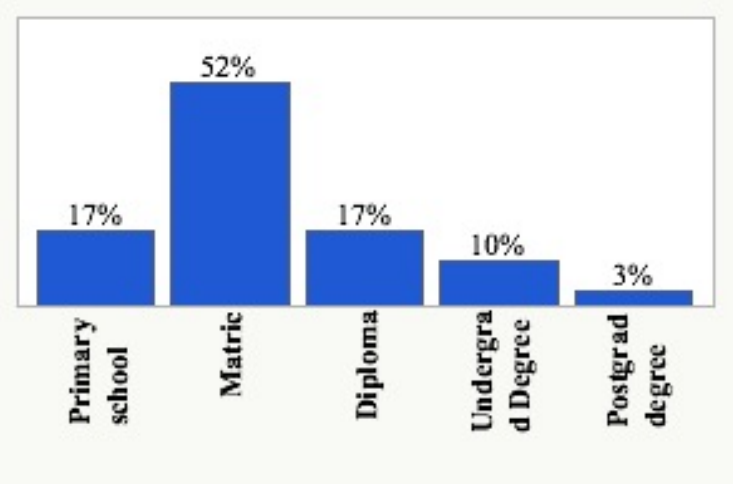


Figure 4.3 Level of education

The survey required respondents to indicate whether the have ever started and run their own businesses. 69% of the respondents indicated that they have started and run their own businesses, with 31% stating that they have one to four years' experience running their own businesses, while 36% said they had five or more years running their own businesses. The survey did not ask respondents about the sector(s)in which they have accumulated their business experience, as this experience may not have been relevant to their current businesses. The reason for asking respondents about their business experience was to find out whether they had anything that could help them grow their businesses, given support from mining companies.

Entrepreneurship theory states that individuals with previous business experience in the same field as the one in which they are embarking on a business venture, combined with a high level of education, stand a better chance of starting a business that has a chance of surviving and growing than someone who does not (Global Entrepreneurship Research Association,2013).69% of the respondents indicated that

they have started and run their own businesses, but did not indicate whether their experience was accumulated running the same business or another one that was not successful. There was a high percentage of entrepreneurs at 31% who indicated that they didn't have business experience. Figures 4.4 and 4.5 indicate the percentages of respondents who indicated that they have previous business experience and the length of time of the experience:zero years, less than one year, one to five years, and five years or more.

When it came to business experience, 61% of the 127 respondents indicated themselves to be the owners of the business in whichthe researcher found them, and the remaining 39% were either managers or employees of the businesses. Since a significant number of the respondents were the owners of their businesses, the researcher assumed them to be well-informed about the impact that enterprise development by mining companies has on mining communities. With 70% of the respondents having business experience ranging from a few months to more than five years in the community, they had valuable knowledge.

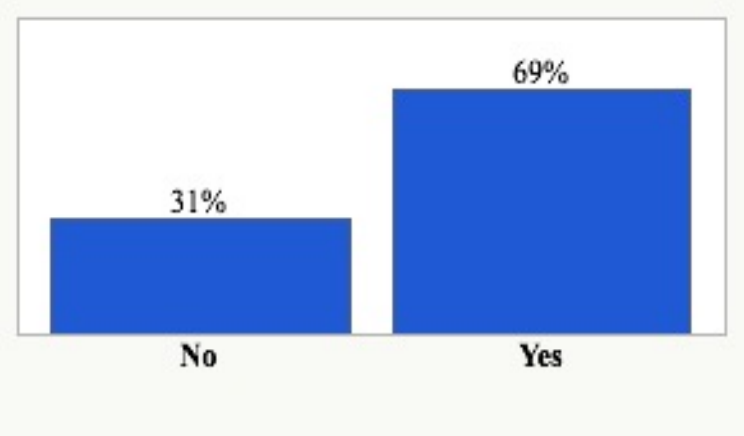


Figure 4.4 Business experience

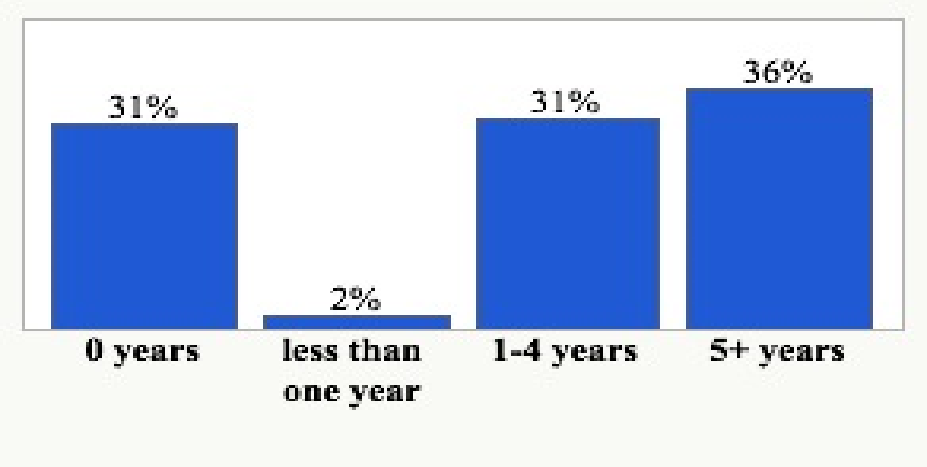


Figure 4.5 Years running own business

4.3 Validity and reliability

This research was intended to study the impact of enterprise development on a mining community in South Africa and the population sample of the study consisted only of black entrepreneurs because they are the intended beneficiaries of the BBBEE policy. All ofthe black entrepreneurs participating in the study were found in three mining communities. The age groups of the respondents ranged from 18 to the oldest a person can be, but in the survey questionnaire there were two age groups: the first age group was youth with ages ranging from 14 to 35 and the second was adults with ages from 36 and older. The researcher had intended to include members of the South African Indian and coloured populations, because they are classified as black or previously disadvantaged, but because South African spaces are still racially divided, the majority of the respondents were black people of African descent.

The projected sample for this study was 200 black SMME owners. The number was arrived at based on the data analysis method. Factor analysis was the data analysis method of choice because the researcher looked at correlations between constructs to determine whether enterprise development has an impact on mining communities in South Africa. Since the data analysis method was factor analysis,a sample bigger than 120 respondents was sufficient, but the researcher aimed for 200 responses to be safe. Only 126 black respondents completed the survey questionnaire out of a

possible 200. Out of the 126 respondents, 45% of the questionnaires were from Emalahleni, 20% from Westonaria and 35% from Rustenburg.

4.3.1 Internal validity

The interval validity of the research instrument was tested using factor analysis and it was found that there was no internal validity for all the constructs,although some of them exhibited some element of validity. Constructs were tested for internal validity using seven factors first, but there was no validity. The second timevalidity was tested with five factors and finally it was tested with three factors, but the validity results were still negative.

Principal component analysis was applied to responses of the 24-item questionnaire. The principal components method was used to extract the components, and this was followed by a varimax (orthogonal) rotation. Very fewof the components exhibited Eigenvalues greater than or near 1; results of a screen test also suggested that only the first three were meaningful. Therefore, none of the first three components were retained for rotation. Questionnaire items and corresponding factor loadings are presented in Figure 4.6.

In interpreting the rotated factor pattern, an item was said to load on a given component if the factor loading was 0.50 or greater for that component and less than 0.50 for the other. Using these criteria, two items were found to load on the first component, which was subsequently labelled ‘enterprise development practice’. EDC had two good factor loading scores for the first factor, followed by CPM with factor loading scores over 50. The second factor had only five factor loadings over 0.50 for all five constructs with 24 variables, but factors 3,4 and 5 had the worst factor scores, with factors 3and 4 having two factors over 0.50, and factor 5 with one factor loading over 0.50. It is worth stating that EDI had one factor score over 1.0 at 1.09. The factor loading scores of all variables put together were poor, exhibiting poor validity of constructs.

Rotated Factor Loading

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
EDP1	0.52	0.16	0.08	0.18	-0.0
EDP2	0.43	0.55	0.18	0.28	0.01
EDP3	0.43	-0.0	0.11	0.90	-0.1
EDP4	0.61	-0.1	0.19	-0.1	0.10
EDP5	0.32	0.09	0.23	0.28	0.30
EDI1	-0.1	0.16	-0.2	0.43	0.38
EDI2	0.50	-0.1	0.36	0.01	0.40
ED3	0.05	0.03	0.13	-0.1	0.99
EDI4	0.01	-0.0	1.09	0.21	-0.1
EDI5	0.06	0.10	0.32	0.14	-0.6
EDC1	0.13	0.71	0.27	0.16	-0.4
EDC2	-0.0	0.32	0.16	0.53	-0.2
EDC3	0.23	0.51	-0.0	0.42	-0.0
EDC4	0.71	0.13	-0.0	0.08	0.08
EDC5	0.84	0.36	0.12	0.08	0.01
CPM1	0.30	0.33	0.58	-0.3	0.01
CPM2	0.68	0.07	0.20	0.22	-0.1
CPM3	0.61	0.03	-0.0	0.17	-0.0
CPM4	0.57	0.64	-0.1	-0.1	0.03
CPM5	0.25	0.39	0.21	-0.0	0.01
EDIS1	0.13	0.72	-0.1	0.30	0.02
EDIS2	-0.1	0.45	0.37	0.30	-0.2
EDIS3	0.14	-0.7	0.09	0.09	-0.1
EDIS4	0.46	0.03	-0.1	-0.1	-0.0

Figure 4.6 Rotated factor loading

4.3.2 Reliability

Reliability is concerned with whether the scales or any other statistical methods to be used have proven to be reliable whenever they have been used. The Likert scale was used in this study and it has been proven reliable in a study conducted on enterprise development by Wagner (2011) The reliability of a research instrument means that whenever the Likert scale has been used in a study, it has never been found to produce inconsistent results (Cooper& Schindler, 2011). The scale reliability was tested and the results of the reliability are in Chapter Five of the research report.

Table 4.1 Cronbach's alpha indicating internal reliability of the multi-item scale

Variables	**Items**	**Items left out**	**Cronbach's alpha**	**Reliability**
Construct 1 Enterprise development practice	1,2,3,4, 5	none	0.7580	acceptable
Construct 2 Socioeconomic impact of enterprise development on a mining community	6,7,8,9,10	none	0.5966	unacceptable
Construct 3 Compliance with BBBEE codes	11,12,13,14, 15	none	0.7222	acceptable
Construct 4 Community perceptions of a mine	16,17,18,19,20	none	0.6950	acceptable
Construct 5 Impact of enterprise development on SMME success	21,22,23,24	19(0.3123)	0.6566	acceptable

Reliability of constructs in the survey questionnaire were tested. The results of the reliability tests are tabled on Figure 4.7to indicate each variable's Cronbach's alpha. ACronbach's alpha indicates the internal reliability of a multi-item scale using numbers. If the overall Cronbach's alpha is greater than 0.65, the internal reliability of the set is acceptable, and if it is 0.80 or greater, it is good, while anything less than 0.65 is bad (Lee,2010). The first construct to be analysed is enterprise development practice code named EDP. The Cronbach's alpha of the entire enterprise development practice set is 0.7580, indicating an acceptableinternal consistency of the entire set of EDP variables.

The second construct in the survey questionnaire was the socioeconomic impact of enterprise development on mining community, codenamed EDI. Three variables showed weak positive linear associations, while two variables had negative linear association scores. The two variables that displayed negative linear associations were EDI4 and EDI5 with EDI5 having the lowest negative linear association score of

0.0090. Variables EDI2 and EDI3 displayed some elements of positive linearity with scores of 0.2170 and 0.3185.

The Cronbach's alpha scores of the construct socioeconomic impact of enterprise development on a mining community were all found to be very low with the entire set score standing at a very low 0.4784. When variables EDI4 and EDI5 were removed from the set, the Cronbach's alpha scores of the other three variables improved to 0.6230, 0.4804 and 0.3434, from 0.4724, 0.2498 and 0.0897 in order of appearance. The entire set score improved from 0.4784 to 0.5966, but was still 0.6 short of a good score. The Cronbach's alpha scores for construct EDI were all bad.

The third construct, which focused on BBBEE compliance by a mining company, was codenamed EDC. The correlation scores of all variables indicated that they had positive linear association, varying in degrees from a low linear association score of 0.2919 to a high score of 0.5310. The Cronbach's alpha score of the entire set was a reasonable 0.7222, exhibiting a more than acceptable Cronbach's alpha score.

The scores for the third construct indicated that there is reasonable enough internal reliability among all variables and the entire set score was just 0.8 short of a good score, but the entire set score was at a more than acceptable score of 0.7222, exhibiting that EDC has internal reliability.

The construct around community perceptions of a mine based on how it supports community businesses was the fourth construct in the survey questionnaire and was codenamed CPM. The Cronbach's alpha reliability scores were fairly reasonable with the entire set score at 0.6950.Cronbach's alpha scores for some of the variables were slightly over the reliable score of 0.65 and some closer.

Reliability scores of some of the CPM variables were high enough to conclude that there is internal reliability. The last construct in the survey questionnaire was the impact of enterprise development on SMME success and was codenamed EDIS. The reliability scores for the EDIS variables were low, but when one variable was deleted to improve the Cronbach's alpha score of the entire set, the entire set score improved from 0.5948 to 0.6566. The variable that was deleted was EDIS4 with a score of 0.1837.

The reliability scores for the multi-item scales displayed acceptable internal reliability scores with scores ranging from 0.65 to 0.75. The only construct that displayed bad Cronbach's alpha (bad internal reliability) was construct 2, focusing on the socioeconomic impact of enterprise development on a mining community. The conclusion was that the research instrument displays acceptable internal reliability because four out of five constructs had acceptable internal reliability scores ranging from 0.65 to 0.75.

4.4 Descriptive statistics relating to scales

Many of the respondents had similar opinions about what the mining companies do for small enterprises, the relations between the mine and the community, mining companies' compliance with BBBEE codes of good practice, and the impact of enterprise development on enterprise failure or success. They either agreed in their majority or disagreed in their majority, indicating a consensus in opinion.

The first construct in the survey questionnaire was enterprise development practice and many of the respondents strongly disagreed that mining companies are practicing enterprise development in their communities. The statement on enterprise development practice whether the entrepreneurs in mining communities are receiving business support from mining companies in the form of starting capital, business coaching, support for already established businesses and set asides.

Table 4.2 shows the percentage of people who agreed, disagreed or were neutral on statements relating to enterprise development practice. Many respondents disagreed with a little difference in the degree of difference. Many strongly disagreed, while a little fewer just disagreed and a small percentage were neutral, agreed or strongly agreed: 57.48% strongly disagreed, 19.69% disagreed, 4.72% were neutral, 10.24% agreed and 7.87% strongly agreed.

Table 4.2Percentages of agreed, neutral and disagreed

	Strongly disagree		**Disagree**		**Neutral**		**Agree**		**Strongly agree**	
	N	% of total	N	% of total	N	% of total	N	% of total	N	% of total
EDP1	73	57.48%	25	19.69%	6	4.72%	13	10.24%	10	7.87%
EDP2	64	50.39%	30	23.62%	8	6.30%	24	18.90%	1	0.79%
EDP3	55	43.65%	28	22.22%	18	14.29%	19	15.08%	6	4.76%
EDP4	59	46.46%	17	13.39%	18	14.17%	26	20.47%	7	5.51%
EDP5	51	41.13%	19	15.32%	11	8.87%	23	18.55%	20	16.13%

The second construct was the socioeconomic impact of enterprise development on the mining communities. The construct studied the socioeconomic impact of enterprise development on mining communities, by asking respondents whether they feel there are benefits of operating in the mining community and whether their businesses would survive if the mines operating in their communities stopped operations. Respondents did not have an outright consensus on all statements about the socioeconomic impact of enterprise development on a mining community, but they agreed on most constructs.

Table 4.2.depicts the responses on a percentage level. Regarding the first statement, most respondents had strong consensus with 41.73% agreeing and 45.67% strongly agreeing. Regarding the second statement,although many of the respondents were split in their views as 24.41% strongly disagreed and 28.35% strongly agreed, the decisive number was the 28.35% who agreed. Most respondents had consensus regarding the third statement about the likelihood that the community could survive economically if the mines closed down with 25.20% strongly disagreeing and 32.28% disagreeing.

Table 4.2 Response percentages

EDI1	12	9.45%	0	0.00%	4	3.15%	53	41.73%	58	45.67%
EDI2	31	24.41%	13	10.24%	11	8.66%	36	28.35%	36	28.35%
EDI3	32	25.20%	41	32.28%	19	14.96%	23	18.11%	12	9.45%

The third construct was the respondents' perceptions about whether the mines operating in their communities are complying with the BBBEE codes of good practice, coded as EDC. Many respondents had a consensus on their responses with regards to the statements about BBBEE compliance,although there was a difference in opinion regarding two statements. Regarding EDC1 and EDC2, respondents were not clear enough on their opinions as 17.60% and 15.87% chose to be neutral. Regarding EDC3, EDC4 and EDC5 many of the respondents disagreed or strongly disagreed, indicating that they had a consensus as in Table 4.3.

The responses suggest that many of the respondents disagreed with the idea that mining companies comply with BBBEE codes of good practice with a strong emphasis on enterprise development. They believe the mines are not supporting individuals intending to start their own businesses and those that are already established.

Table 4.3 Response percentages

EDC1	21	16.80%	55	44.00%	22	17.60%	15	12.00%	12	9.60%
EDC2	20	15.87%	25	19.84%	20	15.87%	43	34.13%	18	14.29%
EDC3	37	29.60%	53	42.40%	3	2.40%	14	11.20%	18	14.40%
EDC4	52	40.94%	43	33.86%	12	9.45%	16	12.60%	4	3.15%
EDC5	67	52.76%	26	20.47%	8	6.30%	25	19.69%	1	0.79%

The fourth construct was the community perceptions of a mine based on how it supports small community businesses. The statements asked respondents whether mining companies operating in their communities consult with all stakeholders in the community about the community's needs, or in other words, whether the mining companies engage with community entrepreneurs, and enquire about their business needs and how the mining company can assist them in developing their businesses in fulfilment of enterprise development practice.

Many respondents had similar opinions on CPM1 in that 24.41% strongly disagreed and 46.46% disagreed but the percentage of respondents who took a neutral stance was high at 17.32%. The percentages of respondents who chose to be neutral were very high with CMP2 at 14.29%, CPM3 at 18.11% and CPM4 very high at 34.65%,

which can only mean that respondents were unsure. The responses were not as clear cut as in some statements, such as CPM2 where 30.95% strongly disagreed while 30.16% agreed. Regarding CPM4, respondents did not have a consensus, as 15.75% strongly disagreed, 14.96% strongly agreed and the majority were neutral at 34.65%. The difference between those who agreed and those who disagreed was a small margin, with the exception of CPM1, as seen in Table 4.4.

The conclusion is that respondents have some consensus, but the margin is not big enough to make an outright claim that most of the respondents had similar perceptions of the relationship between the mines and community members.

Table 4.4 Response percentages

CPM1	31	24.41%	59	46.46%	22	17.32%	6	4.72%	9	7.09%
CPM2	39	30.95%	28	22.22%	18	14.29%	38	30.16%	3	2.38%
CPM3	43	33.86%	30	23.62%	23	18.11%	30	23.62%	1	0.79%
CPM4	20	15.75%	15	11.81%	44	34.65%	29	22.83%	19	14.96%

The last construct was the impact of enterprise development on enterprise failure or success, coded as EDIS. Respondents were required to indicate whether there are businesses in their communities that are supported by mining companies, and whether they have observed a difference between those businesses that are supported by the mine and those that are not supported by the mine.In other words, between those businesses that are supported by the mine and those that are not, which ones have been observed to survive the first three years of operation and which ones have seemed to grow.

The responses to the last construct were also not clear cut, as the percentage of respondents who indicated that they are neutral was 11.03% and 14.96% for EDIS1 and EDIS2 respectively. The responses for the first statement were slightly clear with 25.20% strongly disagreeing and 24.4% disagreeing, while 22.83 strongly agreed and 16.54% just agreed. EDIS responses were unclear as there was not a distinct consensus: 24.41% strongly disagreed and 25.98% disagreed,but these responses were countered by 27.56% of respondents who agreed. Although it was not clear what the majority of the respondents thought, the small margin indicates

that most respondents disagreed with the statement that small businesses that are supported by mining companies survive, grow and employ more people, as inTable 4.5.

Table 4.5 Response percentages

EDIS1	32	25.20%	31	24.41%	14	11.02%	21	16.54%	29	22.83%
EDIS2	31	24.41%	33	25.98%	19	14.96%	35	27.56%	9	7.09%

4.5 Means and standard deviations of all variables in multi-item scales

The study worked with continuous variables and, as such, statistics for the means and standard deviations had to be generated to show the centrality and spread of variables. Table 4.6 depicts the averages and standard deviation of the data. The mean/average score for the variable enterprise development practice (coded EDP) is 2.16 outof a possible 5, as there were five options to choose from. The standard deviation or spread away from the average is 0.96; therefore,66%(two-thirds) of data is expected to lie between 1.2 and 3.12.

The average score of the socioeconomic impact of enterprise development practice coded as EDI is the highest at 3.31 and the spread or standard deviation is the second highest at 1.00, meaning that 66% of the data is expected to lie between 2.31 and 4.31. With regards to compliance with BBBEE codes of good practice (coded as EDC), the average score is the second lowest at 2.40 and the standard deviation is 0.86, which leads to the conclusion that about 66% of the data lies between 1.54 and 3.26.

Regarding community perceptions of a mine (coded as CPM), the average/mean score is 2.54 and the spread/standard deviation is 0.90; therefore, 66% is expected to lie between 1.55 and 3.44, while the average score for the impact of enterprise development of enterprise success or failure (coded as EDIS) is 2.78, making it the second highest average with a spread/standard deviation of 1.05. Two-thirds of the data captured for the construct EDIS is expected to lie between 1.73 and 3.83.

The averages and spread of data seemed to indicate that the data was not lying far away from the mean; therefore, averages could be trusted to represent the population of small entrepreneurs from the three mining communities. Table 4.6 depicts the standard deviations of data.

Table 4.6 Means and standard deviations

	Mean	**Stddev**
EDP score	2.16	0.96
EDI score	3.31	1.00
EDC score	2.40	0.86
CPM score	2.54	0.90
EDIS score	2.78	1.05

The study has three propositions that focus on the themes of economic redress, BBBEE policy compliance, a mining community perceptions of a mine and the impact of enterprise development practice in mining communities. Table 4.7 displays the three correlation scores of the three hypotheses in this study.

Table4.7Spearnman's ρ

Nonparametric: Spearman's ρ

Variable	By variable	Spearman ρ	Prob>|ρ|	Plot
EDIS score	EDP score	0.1800	0.0428*	
EDC score	EDI score	0.0201	0.8229	
CPM score	EDP score	0.4341	<.0001*	

4.6 Results pertaining to proposition 1

The first proposition was on enterprise development practice by a mining company and the impact of enterprise development practice on small businesses operating in mining communities. **P1** There is a positive correlation between enterprise development practice (EDP) and SMME survival (EDIS). The proposition intended to look at the impact of enterprise development practice by a mining company on a

mining community's SMME survival, by asking respondents whether they feel they have received enough business support from mining companies, and whether they think such support if there was any, contributed towards the survival of their SMMEs.

Table 4.7.1

IS score	P score	0.1800	0.0428*

Table 4.7.1 displays the correlation results of the first proposition on enterprise development practice and its impact on SMMEs operating in mining communities. The correlation results seem to indicate that there is a weak positive linear correlation between the two constructs, a strong positive linear correlation being an indication that enterprise development practice is very likely to impact positively on SMME survival e.g. if an SMME receives funding, business coaching, facilities, and procurement crontact of products or services, it is likely to survive longer and even prosper.

4.5 Results pertaining to proposition 2

The second proposition relates to the question of BBBEE compliance by mining companies, focusing on enterprise development and the socioeconomic development of a mining community.**P2** There is a positive correlation between a mine complying with the BBBEE's codes of good practice (EDC) and the socioeconomic development of a mining community (EDI). Complying with BBBEEs enterprise development means adhering to the definition of ED, the monetary and non-monetary support for existing or the fostering of new HDSA-owned companies in the mining sector of the economy, with the objective of contributing to their development, sustainability and financial operational independence.

Table 4.7.2

EDC score	EDI score	0.0201	0.8229

The results of the second construct are displayed in Table 4.7.2 and seem to indicate that there is a negative linear association with a score of 0.0201.The linear association is weak with a score that starts with 0.0, indicating a weak positive linear association. A weak positive linear association means that when one variable goes up, the other variable does not necessarily go up; in some cases the covariance (up and down movements) may not be visible. Such a correlation score may mean that there was no compliance with enterprise development, and if there was compliance, it had little to no impact on the socioeconomic development of a mining community.

4.7 Results pertaining to proposition 3

The third proposition is related to enterprise development practice by a mining company and community members' perceptions of a mining company based on what it does for small entrepreneurs based in the mining community.**P3** There is a positive correlation between enterprise development practices (EDP) and members of a mining community having positive perceptions about the mine (CPM). Community perceptions of a mining company determines whether it get the social license it requires to operate without interruptions in a certain community or not. The outcomes of this proposition were based on individual entrepreneurs perceptions on a mining company based on how much business support s/he feels s/he has received from the mining company if any. Individual perceptions were combined together to formulate a mining community's common opinion of a mining company based on its support of SMMEs in mining communities or lack thereof. This is because Mining communities have high regard for mining companies if they work in collaboration with their community, but the opposite can also hold true. McFaul et al. (2013)

Table 4.7.3

CPM score	EDP score	0.4341	<.0001*

The correlation results of proposition 3 indicate a weak positive linear association between the two constructs, namely enterprise development practice and community perceptions of a mine. The score maybe positive but it is weak, in that it is not over 0.50.It also indicates that either there was no enterprise development practice leading to positive perceptions of a mining company by mining community entrepreneurs or the enterprise development practice had little to no impact on the their perceptions.

4.8 Summary of the results

In this chapter,the results of the entire study have been presented in tables and short descriptions without necessarily going in-depth in explaining the results, as that occurs in Chapter Five. The presentation of the results included the demographic profiles of respondents, descriptive statistics of both survey completions and scales, and finally the correlation results of propositions. There are three propositions, focused on BBBEE compliance, enterprise development, andmining community perceptions of a mining company based on its compliance with BBBEE's enterprise development. The correlation scores of all propositions indicate weak positive linear associations between constructs, meaning there were associations between the constructs on all three propositions.

A brief discussion on the results of the three propositions underpinning this study was also given. The propositions were as follows; **P1** There is a positive correlation between enterprise development practice (EDP) and SMME survival (EDIS). **P2** There is a positive correlation between a mine complying with the BBBEE's codes of good practice (EDC) and the socioeconomic development of a mining community (EDI). **P3** There is a positive correlation between enterprise development practices (EDP) and members of a mining community having positive perceptions about the mine (CPM). The formulation of all three propositions was based on government policy aimed at the socioeconomic development of HDSAs and academic research on the impact of government policies on HDSAs.

Chapter5: Discussion of the results

5.1 Introduction

This chapter discusses the results of the entire study in relation toliterature and provides a conclusion to the research. The discussion focuseson the literature that informed the formulation of the research topic, research questions and hypothesis, then the results.First,the findings in relation to the demographic profile of the respondents are discussed. Second,each proposition result is discussed in relation to literature.Finally, conclusion will be made based on the research questions and results. All discussions in this chapter draw on the graphs and tables used in the discussion of the demographic profile of respondents and proposition results.

5.2 Demographic profile of respondents

The targeted number of respondents was 200 entrepreneurs operating SMMEs in mining communities in South Africa, focusing on three provinces: Mpumalanga, Gauteng and the North West. The aim was to get as many responses from a wide range of business owners operating in mining communities; among those expected were: suppliers to mining companies and service providers to mining companies, but instead small entrepreneurs operating small enterprises(carwashes, taverns, record bars, hair salons and buy-and-braai places)were the ones who completed the most survey questionnaires.

The sample was made up of majority black business owners from three mining areas: Emalahleni, Westonaria and Rustenburg. Males were in the majority, making up 59% of the sample, while women only made up the remaining 41%. The youth made up a large majority of the sample with 82% of the population and the remaining 18% was made up of entrepreneurs who were 36 years old or older. With regards to the respondents' level of education, the majority of respondents had matric at 52%, followed by respondents with diplomas or primary school education, making 17% and 17% respectively, while people with undergraduate degrees or any form of further education were at 10% and finally those with postgraduate degrees only made a mere 3%. An overwhelming 69% of the respondents indicated that they had

business experience either as managers or as business owners, and the years of experience ranged from one year to more than five years.

5.3 Discussion pertaining to proposition 1

Proposition 1 focused on the correlation between enterprise development practice and SMME survival and growth. What the proposition was looking at was the correlation between a mining company's support of SMMEs and the perceived impact it has had on SMMEs operating in mining communities. According to the BBBEE policy, mining companies have the responsibility to support entrepreneurs and SMMEs operating in mining communities because they make their profits in those communities and because mining companies have benefited from past discriminative economic policies and exploitative labour laws. BBBEE describes SMME assistance as the provision of funding, business coaching, business incubation and preferential procurement (BBBEE Act).

As discussed in the literature review, BBBEE is one of the measures used in the redress of South Africa's dark economic past; it aims to uplift black people by, among other methods, supporting black-owned SMMEs in the form of enterprise development.BBBEE was born out of the South African government's attempts to use legislation to redress the economic injustices that were created by decades of apartheid economically discriminatory laws. The literature suggests that the problems thatwere created by these politics cannot be resolved by the markets but by political solutions. BBBEE is one of the politically inspired policies aimed at redressing the politically created economic inequalities in South Africa (Ponte et al., 2007).

The correlation results of the first proposition suggest that there is a positive relationship between a mining company providing assistance to entrepreneurs and SMMEs operating in mining communities, and the survival and growth of such SMMEs. However, many of the entrepreneurs operating SMMEs in mining communities indicated that they did not receive support from mining companies and, therefore,it can be concluded that enterprise development by mining companies has not had an impact on SMMEs operating in mining communities.

5.4 Discussion pertaining to proposition 2

Proposition 2 focused on BBBEE compliance by mining companies and the subsequent socioeconomic development of a mining community. Proposition 2looked at whether entrepreneurs operating in mining communities perceived mining companies to be complying with BBBEE's codes of good practice and whether such compliance lead to the socioeconomic development of their community.BBBEE requires by law that mining companies support SMMEs in mining communities as part of their efforts to redress past economic injustices.

Empirical studies have found that 75% of companies are not willing to fully commit to enterprise development and that the 25% of companies that are doing enterprise development fund black entrepreneurs mainly because it helps them tick boxes on the BBBEE scorecard. These companies never support the entrepreneurs with essential services such as business coaching and business incubation. When the companies that make up the remaining 25% choose black entrepreneurs as suppliers, they do not give them the opportunity to supply to the core business, only peripheral activities of the business (Fröchlicher&Pothering, 2013).The black entrepreneurs who are supplying large companies are treated like informal entrepreneurs, the only difference being that they have access to formal markets and they are registered with formal institutions such as SARS.

The sharing of enterprise development knowledge and expertise between companies could also be beneficial for companies wanting to comply with the BBBEE codes and entrepreneurs wanting to start their own businesses. Both Anglo American and De Beers are pioneers in using CSR funds to develop black-owned enterprises. They have been assisting black entrepreneurs start enterprises since the 1980s through AngloAmerican Zimele (Ponte et al., 2007). The knowledge these companies have accumulated through the years of doing enterprise development could benefit many companies that are practicing enterprise development, if it were to be shared (Rogerson, 2012).Companies complying with the BBBEE codes could have a positive socioeconomic impact on the development of a mining community.

The correlation results suggest a weak but positive relationship was found between mining companies' BBBEE compliance and a mining community's socioeconomic development. However,many entrepreneurs operating in mining communities (as in

proposition 1) indicated that they did not notice BBBEE compliance by mining companies operating in their communities in the form of enterprise development; therefore, there was no perceived socioeconomic development in their communities.

5.5 Discussion pertaining to proposition 3

Proposition 3 looked at the relationship between enterprise development practice by a mining company and the mining community's subsequent perceptions of the mine. The third correlation focused on how a mining community perceives a mining company based on how a mining company contributes to the socioeconomic development of the mining community.

There is a positive correlation between a mine's enterprise development practice in a mining community and positive perceptions held by members of a mining community over a mining company. The literature suggests that communities' perceptions of mining companies are based on how they support the mining community's socioeconomic development. Mining communities have high regard for mining companies if they work in collaboration with their community. McFaul et al. (2013) argue that, to gain the cooperation of mining communities and to implement successful community development projects, mine management should engage the community through collaboration and empowerment; local community members should be involved, interested and willing to engage in the socioeconomic development of their community. The problem with practicing enterprise development as a philanthropic gesture is that it is done from the top down and the things that a mining company assume a community needs may be undesired or sustainable.

Collaboration and empowerment involves consultation between mining companies, local government and civic society (and in some areas the tribal authority) about the needs of the community and how they can be achieved. When communities are consulted about their needs, they feel they are part of the community development, so they support it and make it their own, which results in the success of community development projects undertaken by mining companies with the collaboration of civic community and local government.

Rogerson (2011) takes the above argument about collaboration and empowerment further by highlighting another argument by the ICMM, where they argue that 'more collaborate action and stronger partnerships between mining companies, government, civil society organizations and donors are needed to unlock the full potential of mineral wealth' and that the 'more partnerships between companies and other stakeholders, can be the most effective way to strengthen mining's social and economic contribution' (ICMMcited in Rogerson, 2011: 5408).The ICMM contends that partnerships can deepen the impact of socioeconomic contribution from mining companies and leave a sustainable economic impact on a mining community.

The ICMM maintains that partnerships can help reduce poverty by creating jobs, small enterprises and entrepreneurs, and increase access to basic services for economically marginalised people. The creation of micro-enterprises would lead to job creation and. in turn. sustainable economic activities in a mining community so that even if a mine were to close operations the community would not become economically redundant. Anglo-American's Zimele is cited as an example of how a mining company is successfully funding and supporting the development of enterprises that create employment for people living in and around mining communities (Rogerson,2011).

The correlation results of proposition 3 suggest that there is a positive relationship between a mining company's enterprise development practice and the positive perceptions held by the mining community. As with the previous propositions, respondents did not feel that mining companies operating in their communities are involving them in any projects that are aimed at the socioeconomic development of their communities. They felt that mining companies are not willing to collaborate with them but instead fund projects they feel will afford them social licence to operate without disruptions from unhappy community members. Mining communities did not have a positive perceptions of mining companies because of mining companies' failure to involve communities in projects aimed at socioeconomic development.

5.6 Conclusion

The correlation results suggest that mining communities feel that they are not receiving support from mining companies in relation to enterprise development practice. Many of the respondents have also indicated that they have no idea what enterprise development practice is, furthermore they have indicated that most of the community projects initiated by mining companies aimed at the socioeconomic development do not involve them(mining community entrepreneurs) and they do not think it has a positive impact on their enterprises' survival and growth because it doesn't match their needs.

Based on the perceptions of entrepreneurs operating in mining communities, there is little to no impact on the socioeconomic development of mining communities by mining companies' enterprise development, because mining companies simply don't practice enterprise development and when they do it is minimal or doesn't match the needs of SMME owners. It was difficult to ascertain to what level enterprise development by a mining company had on a mining communities because many of the respondents had either not heard of business support by mining companies or the support they received was very minimal.

Chapter 6: Conclusion

6.1 Introduction

This chapter concludes the study on the 'Perceived impact of enterprise development on mining communities in South Africa'. It summarises the findings and conclusions of the study based on the results of the empirical research undertaken in three mining communities of South Africa. The literature is touched on to provide context and to review the reasons why the study was undertaken,then the limitations of the study are outlined, recommendations for future research are made and an overall conclusion is made.

6.2 Summary of the literature

The study has focused on BBBEE as a political tool used to redress past economic injustices, with specific focus on the area of enterprise development. Enterprise development, as part of the BBBEE's empowerment of previously disadvantaged South Africans, encompasses the funding of SMMEs and support of already established enterprises through business training, mentoring, introduction to markets and incubation of nascent SMMEs. South Africa, as a country with a dark past of racist colonialism, is still faced with a big challenge of economic disparities that are the legacy of apartheid and the BBBEE's enterprise development is designed to redress such apartheid legacies.

The context of this study is South Africa`s dark economic past of exclusion for the majority black population from participating in the formal economy and how the government is battling to redress past economic injustices. During apartheid, black people (who then formed about 80% of the population) were economically discriminated against through apartheid laws. During apartheid, the minority whites were the only South Africans allowed to fully participate in the formal South African economy and were in possession of more than 70% of the country's wealth (Valodia&Devey, 2012).

When the ANC was democratically elected and took over the South African government in the 1994 democratic elections, it enacted policies and legislation to

redress past economic injustices that had been created by the apartheid government. The South African government has a number of policies that are aimed at the redistribution of wealth, among them is BBBEE with industry charters such as the Mining Charter, but little academic and empirical evidenceexists which indicates that the redistribution of wealth in the form of land redistribution, employment equity, enterprise development, business ownership and equity at senior management level is taking place, and whether the poor is feeling that change. This study is based in this context.

Inequality along racial lines is still evident in South Africa, as no significant change in the economic sector has taken place as a result of the policies that have been enacted and aimed at economic wealth redistribution.Government admits that there is still a long way to go in terms of economic redistribution,although there are claims that it has made some inroads in the redistribution of wealth (Development Bank of Southern Africa Amendment Act 41 of 2014). This study has used empirical evidence to find out whether communities around mining areas have benefited from government policies aimed at economic redress and redistribution, focusing on the perceptual impact of the BBBEE's enterprise development practice on small enterprises by mining companies in mining communities.

6.3 Summary of the results

The correlation results of the study indicate that there are correlations between the variables, and that the entrepreneurs based in mining communities have felt little to no impact of enterprise development practice by mining companies. Correlation results for proposition 1 indicate a positive correlation between enterprise development practice(EDP) and SMME survival(EDIS). Correlation results for proposition 2 indicate a positive correlation between a mining company complying with the BBBEE's codes of good conduct(EDC) and the socioeconomic development of a mining community(EDI). Correlation results for proposition 3 indicate a positive correlation between enterprise development practice(EDP) and residents of a mining community having a positive perception of a mining company(CPM).

The correlation results indicate that there is a correlation between enterprise development practice, SMME growth and survival, and the subsequent economic development of a mining community, but the majority of the respondents indicated that there is little to no enterprise development practice by mining companies in their communities. The results also indicate that residents of a mining community feel that they have not received any economic benefit as a result of the BBBEE policy, and that they are not familiar with any of the legislation that compels mining companies to spend a small portion of their profit on developing the community where they operate.

6.4 Implications

The implications of the study are that there is a huge gap between policy and practice, as evidenced by the poor policy implementation, or lack thereof. The South African government needs to find ways to measure and monitor all policy implementation aimed at economic redress. Furthermore, all stakeholders should be involved in identifying areas of need in mining communities, not just government and mining companies as is the norm, because this sometimes leads to little socioeconomic impact on a mining community, as a result of CSR spend not matching the needs of a community.

The academic implications of this study are that little literature exists on enterprise development practice and impact investment of CSR spend is limited, making literature-based hypotheses very difficult to formulate. There needs to be more empirical studies on the impact of government's socioeconomic policies to help identify the challenges encountered in the implementation process and the possible solutions.

6.5 Limitations

Literature on the impact of enterprise development is very limited, therefore limiting the theoretical basis of the research.

The sample of 127 respondents and three provinces out of a possible 9 provinces makes generalisation of the results difficult.

The sampling technique limits the generalisation of the results because it was purposive and so certain, but not all types of, entrepreneurs were chosen to be part of the study.

6.6 Recommendations for future research

Employ robust regression methods to determine causality.

Conduct a longitudinal study on the impact of government policies aimed at economic redress in mining communities.

The duplication of this study in other sectors of South Africa to study the impact of enterprise development in other industrial areas such as Germiston, Roslyn in Pretoria and Isando in Kempton Park, Johannesburg.

6.7 Conclusion

The majority of the respondents in this study indicated that little to no enterprise development practice by mining companies is taking place in their communities. Furthermore, they have indicated that they only benefit from mining companies' extraction operations in their community as a by-product of mining companies' main goal,being consistent maximum profit. In other words, they are not part of the mining company's core business.Mining communities feel that they are neglected and that the only way they benefit from mining is through unsustainable employment, which offers meagre salaries. A significant majority of entrepreneurs in mining communities stated that they do not receive any form of support from any mining company operating in their community and that they are not aware of any government legislation that legally requires mining companies operating in their communities to assist them with the development of enterprises. Enterprise development has been found to have little to no impact on mining communities in South Africa.

Mining companies, in collaboration with all stakeholders such as community leaders, tribal leaders (where relevant) and local government can contribute to the socioeconomic development of communities where they operate by working collaboratively. However,although the lines of socioeconomic responsibility have

been blurred by corporate social responsibility spend, government should still lead the way in economic redress by monitoring the implementations of economic redress policies and incentivising those that show initiative.

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APPENDIX A:

Project plan

Activity	Date	Estimated time	Person/s responsible
Finalise proposal and send it to supervisor	25/11/16	1 week	Researcher and supervising lecturer
Register topic	28/11/16	2 days	Researcher
Apply for ethics clearance	01/12/16	2 weeks	Ethics committee
Pilot study	01/12/16	2 weeks	Researcher and respondents
Send survey questionnaires to respondents	10/12/16	2 days	Researcher
Start gathering data	16/12/16	3 to 4 weeks	Researcher
Send data to statistician for analysis	07/01/17	1 week	Statistician
Write report	15/01/17	4 weeks	Researcher
Send research report to an editor	15/02/17	2 weeks	Editor
Finalise and submit research report	28/02/17	2 days	Researcher

APPENDIX B:

Consistency Matrix

Aims of research	Literature review	Hypotheses or propositions or research questions	Source of data	Type of data	Analysis
To investigate the impact of enterprise development on supply chain development in South Africa	Ponte, S., Roberts, S. & Van Stittert, L. (2007).'Black Economic Empowerment', business and the state in South Africa. Minniti, M. (2008). The role of government policy on entrepreneurial activity: Productive, unproductive or destructive? Rogerson, C. (2012). Supplier diversity: A new phenomenon in private sector procurement in South Africa.	**P1**There is a positive correlation between enterprise development practice (EDP) and SMME success and growth (EDIS). **P3**There is a positive correlation between enterprise development practice (EDP) and members of a mining community having positive perceptions about the mine (CPM).	A survey with a five-point Likert scale adapted from Wagner (2011)	Ordinal	Factor analysis(convergent validity and confirmatory factor analysis,and confirmatory factor analysis) and correlations

Aims of research	Literature review	Hypotheses or propositions or research questions	Source of data	Type of data	Analysis
To study how much impact enterprise development has had on supply chain development	Li, W., Humphreys, P.K., Yeung, A.C.L. & Cheng, T.C.E. (2012).The impact of supplier development on buyer competitive advantage: A path analytic model. Wagner, S.M. (2011). Supplier development and the relationship life-cycle.	**P2** There is a positive correlation between a mine complying with the BBBEE's codes of good practice(EDC) and the socioeconomic development of a mining community(EDI).	A survey with a five-point Likert scale	Ordinal	The above method will be used to analyse data.

Adapted from Wagner (2011)

APPENDIX C

Survey questionnaire: To investigate the perceptual impact of enterprise development on mining communities in South Africa.

Circle one number that is next to the answer that relates to you.

Please indicate your gender.

1. Male
2. Female

Please indicate which age group you fall under.

1. 18–25years old
2. 26– 30years old
3. 31–35years old
4. 36–40 years old
5. 41–50 years older
6. Older than 50 years

Please indicate your highest level of education.

1. Primary school
2. Matric
3. Diploma
4. Degree
5. Master's degree

Have you ever started and run your own business before?

1. Yes
2. No

If you circled yes above, please indicate your years of business experience.

1. 0–1 years
2. 2 years
3. 3 years

4. 4 years
5. 5 or more years

Please indicate what you do for a living.

1. Mine employee
2. Own a small business/self-employed
3. Unemployed
4. Work for a company not in mining

Research instrument (five-point Likert scale)

Please indicate how much you agree or disagree with each statement by ticking one option on each line.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Enterprise development in a mining community					
The mine funds people intending to start small businesses.					
The mine supports already established small businesses in the community.					
The mine is beneficial to small entrepreneurs in the community in terms of business coaching.					
The mine develops small enterprises in the community that provide services to the mine.					
The mine provides the community with more than					

employment.					
Socioeconomic impact of enterprise development on mining community					
Small businesses create employment for members of the community.					
Members of the community no longer have to rely only on the mine for employment.					
I believe the community can survive economically even if the mine stopped operations.					
The mine helps develop technical skills (boiler makers,artisans and engineers) of members of the community.					
Small businesses benefit from doing business in the mining community.					
Perceived Broad-Based Black Economic Empowerment compliance by a mine					
The mine sets aside business opportunities for small businesses in the community.					
I believe the mine is committed to the socioeconomic development					

of the community.					
I believe the mine is committed to the development of small sustainable businesses as per the Broad-Based Black Economic Empowerment's requirements.					
The mine developed small businesses in the community to supply the mine with services and or services.					
The mine funds small businesses.					
The mine provides business coaching to small businesses in the community.					
Community perceptions of a mine					
The mine has good relations with the community.					
The mine works/collaborates with all stakeholders in all the community development projects.					
The mine consults our community leaders about what the community needs assistance with.					
The mine understands the community well.					
The mine does more good than harm for the community.					

Perceived impact of enterprise development on SMME failure or success					
Small businesses supported by the mine grow and employ more people.					
Many small businesses in the community fail because they don't get business support from the mine.					
I know of very few successful small businesses in my community.					
Not all small businesses that were supported by the mine are successful.					