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# Attitudes of policymakers and entrepreneurs towards enterprise development performance in the construction industry of South Africa

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**2015-03-19**
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# *`Attitudes of Policy Makers and Entrepreneurs towards Enterprise Development Performance in the Construction Industry of South Africa*


***Research submitted by***

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**A research 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,**

July 2013

## ABSTRACT

This study examined the attitudes of entrepreneurs and policy makers towards enterprise development performance as well as explored the perceived constraints to enterprise development in South Africa's construction sector. For the purpose of this study, attitudes of policymakers were measured on attributes of enterprise development and constraints to enterprise development.

A survey of 120 respondents in the construction sector ranging from policy makers, owners of SMMEs and managers of established large construction firms was conducted on a convenience and purposive basis. The results of the study suggest that the success of enterprise development in South Africa's construction sector hinges on positive attitudes of all stakeholders while corruption and anti-competitive behaviours of bigger enterprises towards small and medium enterprises were cited as the main bane of enterprise development in the sector. These results correlate findings cited in literature review concerning the phenomena.

The findings of the survey should serve to inform policymakers on strategies which need to be adopted to deepen enterprise development in the construction sector in a manner which benefits black-owned SMMEs. This research paper has established that there is a need for policy makers to align enterprise development opportunities of established organisations to those of developing organisation in SMMEs in the construction industry.

## DECLARATION

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

---

(Akiko M. Jogunola)

Signed at ……

On the …….. day of …… 2014

## DEDICATION

This research report is dedicated to the people who have made a difference in my life. To my parents Mr. and Mrs Ngolomi for laying the foundation and raising the woman that I am today. Finally, to the most important people in my life. Two children Temidayo and Tobiloba, I hope now you understand why mummy was always busy on her laptop. I love you very much. To my partner, the pillar of my strength, the father of my two beautiful kids, Kazeem Jogunola, we made it. Thank you for loving and always supporting me. Now I know that nothing can or should stop me to achieve what I want in life**.** I love you very much.

To my two babies Temidayo and Tobiloba I hope you will be proud one day of your Mum that she did not give up, Temidayo you were three years old and Tobiloba one year old when I started studying for this course. To Mr. Jogunola and Mrs Jogunola thank you very much for being parents any daughter in-law could ever ask for thank you for all the prayers.

## ACKNOWLEDGEMENTS

The success and the completion of this research report would have not been possible without the help of others.

Firstly, I would like to thank my Supervisor Dr Rob Venter for guiding me through the research process. Mrs Merle Werbeloff for your assistance and guidance in making sure that this study makes sense. I hope you will be proud of the effort and the work reproduced in this report.

To my syndicate group members with whom I worked in the three quarters of the programme thanks for the lessons that have made me grow.

To my (sisters) Ellen, Happiness and Memory and my (brothers) Maxwell and Odala, thank you for saying I can do it for the family,

To my in-laws special thanks goes to Hameed for giving me the special attention when I needed it most, Murhi for the jokes although they made me angry; you gave me a heart to want to complete. Turanyo thank you for escorting me to Wits to see my supervisor, I really appreciate it. To my nieces and nephews Rosih, Evelyn, Grace, Tamanda, Ntsiyamo and Chimobi, I hope that all of you will be proud of what I am about to achieve.

To my friends, thanks for supporting me. A special mention to a sister and a true friend, Benati Mboxela for always listening and advising me on everything. I love you Benz.

Further thanks go to the departments such as Seda, Dti, CETA and SMMEs in this research. Your data has provided grounding for Enterprise Development studies that previously has not existed, and through it, opened up research hypothesis pertaining to perceived Attitudes towards Enterprise Development in the construction sector of South Africa.

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# CHAPTER 1: INTRODUCTION

## 1.1 Introduction

Enterprise development is an extremely important tool which can be used by government and policy makers to enhance the standard of living of the citizenry and ultimately, the economy of the nation at large (Kirsten and Rogerson, 2002). According to Beaver (2002), enterprise development creates an opportunity where people eke out a living by proving jobs and empowering not only individuals but also the community. Enterprise development is a broad spectrum of activities such as market research and development, business development services, technology incubation and development services, value chain development, commercial and social enterprises (the dti, 2005:12-14). Enterprise development impacts every business enterprise from small enterprises to medium and large enterprises. Thus, enterprise development helps boost the economic growth thereby generating entrepreneurial and employment opportunities for willing and able individuals which are hitherto idle.

Carree and Thuril (2003) defines enterprise development as the act of investing time and capital in helping people establish, expand or improve businesses. The objective of enterprise development is to create sustainable businesses which grow and lead to job creation and which in turn contributes to economic growth. The objective of Enterprise development in South Africa is to allow for the growth of more businesses that can provide those entering the job market with market with opportunities, and will ensure that the provision of these opportunities is sustainable (the dti, 2007) . Enterprise development is aimed at transferring skills and wealth, and to leading to sustainable growth (the dti 2005: 12-14).

According to Hana (2010) sustainable industrialization is underpinned by effective enterprise development. Enterprise development brings about change, innovation and economic growth because it transformed the way people work. Enterprise development is not only an instrument for economic prosperity but also a tool for a social change. SASIX (undated:2) maintained that enterprise development can be used to address social malaise such as gender and income inequality, high unemployment rate, poor health delivery services as well as other social issues.

Enterprise development cannot be discussed in isolation without describing the roles of government, policy makers and entrepreneurs in the enterprise development process. This study will attempt to explain the research from the perspective of policy makers, entrepreneurs and government policies with respect to entrepreneurship.

Government cannot tackle the monumental task of creating employment alone (Ncube, Abebe, and Verdier-Chouchane, 2012:19-20). Drucker (2007:19-27) further stated that entrepreneurs create employment through innovation and entrepreneurship. Ventakataraman (2004: 154-155) observed that the success of policy depends on the ability of entrepreneurs to create and grow enterprises that are able to generate jobs and economic growth through transformative entrepreneurial activity that is countercultural in much of the developing world. Entrepreneurs who start and run SMEs are therefore crucial to the translation of ideas into viable businesses (Ahmad, Halim and Zainal, 2010:67-69). Hence, government policies need to provide an enabling environment in which SMEs survive, grow and thrive

## 1.2 Theoretical background to the study

The study has theoretical roots in the following domains: entrepreneurship, social entrepreneurship and economics. The theoretical literature linking entrepreneurship to economic growth started from the historical views of entrepreneurship. Thereafter, theoretical and descriptive arguments linking entrepreneurship and economic growth have emerged from various fields of economics and management study, which also include economic history, industrial economics, politics and management theory. Wennekers and Thurik (1999) and more recently Carree and Thurik (2003) provide extensive surveys of the diverse literature on the relationship between entrepreneurship and economic growth. In essence, the literature suggests that entrepreneurship contributes to economic performance by introducing innovations, creating change, creating competition and enhancing rivalry. Acs, Desai and Hessels (2008) opined that public policy needs to be conversant by the dynamics of entrepreneurship and economic development as well as the institutional conditions and context as literature support that entrepreneurship contributes to economic growth .

The nexus between economic history and entrepreneurship has been highlighted by Cipolla (1981) and Lazonick (1991) who argued that entrepreneurs contributed to long-term economic growth and development through adopting new methods and allocating resources to new opportunities which opened new markets and diversified output. In the mid-20th century, entrepreneurship lost its lustre in the face of mounting evidence that large-scale production increased efficiency (Weiss, 1976). However, the past two decades have generated sufficient knowledge linking entrepreneurship to growth, with new theories emerging from the field of industrial evolution or evolutionary economics (Audretsch, 1995) to underpin this thinking. From the viewpoint of evolutionary economics, entrepreneurs serve as agents of change, bringing new ideas to markets and stimulating growth through a process of competitive firm selection.

Wennekers and Thurik (1999) made a significant contribution to the study of entrepreneurship by contrasting strands of literature to construct an operational framework linking entrepreneurship and economic growth. They highlight the multiple roles of the entrepreneur beyond that of innovator. They also showed the general innovative role of entrepreneurs that includes not only newness (implementing inventions), but also new entry (start-ups and entry into new markets). In their final framework for linking entrepreneurship to economic growth, Wennekers and Thurik (1999) clearly show the myriad effects and conditions taking place at different levels for entrepreneurial activities to have ultimate impact on economic growth. The direction of the impact is not a foregone conclusion in this framework. However, a working assumption is that *ceteris paribus*, a rise in the number of entrepreneurs should lead to increased economic growth at the national level.

Addressing a lack of formal growth models that explicitly focus on the entrepreneur, Schmitz (1989) conceptualised a model motivated by the endogenous growth models developed by Romer (1986). In the spirit of such models, new firm formation is an endogenised determinant of economic growth and arises from rational decision making on the part of individuals who choose between the roles of employee or entrepreneur. This theoretical model concludes that increasing levels of entrepreneurship in an economy generates additional input in the economy. This result is however a theoretical derivation and not based on empirical data.

There is dearth of empirical evidence linking entrepreneurship (new business creation) enterprise development as one of the element of Broad-Based Black Economic Empowerment (B-BBEE) as strategy to increase economic growth. There are only a limited number of empirical studies devoted to the econometric link between economic growth at the national level and entrepreneurship, enterprise development and economic growth (GEM).

This has been partly due to the difficulty in obtaining a measure of the national level of entrepreneurship that can be appropriately correlated to national economic growth as measured in terms of output, productivity or wealth. As shown in the framework formulated by Wennekers and Thurik (1999), the macro measurement of entrepreneurship needs to regard entrepreneurship as a multi-dimensional concept from typologies that are developed at the micro-level. While not always motivated by economic growth, the literature on job creation provides ample empirical evidence that small businesses and newly formed firms create a substantial number of new jobs, with some studies showing that small and new firms are the source for the majority of new jobs created (Wennekers and Thurik, 1999; Wong, Ho and Autio, 2005). This conclusion has been reached in studies on job creation in numerous countries according to Herrington et al (2012). Al (2014) and authors of Global Entrepreneurship Monitor report worldwide who have conducted research within and other countries have all link that enterprise development environment that support policy increase economic growth and wellbeing with business dynamism in terms of firm entry and exit.

These studies offer the closest parallels to this present paper's effort to link policy makers and entrepreneur's attitudes towards enterprise development performance with national economic growth objectives in mind. Using data on policy makers and entrepreneurs in construction industry of South Africa for the business owners. This two-way causality has been embraced by more recent empirical studies as endogenous determinant of employment (Audretch and Thurik, 2000).

The numbers of entrepreneurs have led to increase in employment according to Van Praag and Versloot (2007). Most recent studies expanded on the analysis to include per capital output and economic growth, Carree et al. (2002) in their error correlation model

used equilibrium rate of entrepreneurship as a function of the stage of development of an economy.

GEM measured and analysed the link between entrepreneurial activity rates and economic growth to bivariate correlations with short term GDP rates but no attempt was made to control other factors.

The Schumpeterian tradition combined the concepts of entrepreneurship and innovation in a way that innovation was linked to growth while entrepreneurship was the instigator of innovation (Lumpkin and Dess, 1996). However, innovation is not the sole preserve of entrepreneurs since professional innovators can also be a source of that innovation. Consequently, entrepreneurs are seen beyond their primary role of innovation to, *inter alia*, managerial responsibilities and risk taking (Wenekers and Thurik, 1999).

In the contemporary markets, it can be argued that there is not likely to be overlap between two constructs when business and innovation activities are aggregated at the national level. As a result, business creation and innovation are treated as two distinct factors that show different levels of the entrepreneurship phenomenon when considering the macro-economic formulation of the determinants of economic growth. This is also in line with most views of entrepreneurship as encompassing new entry as well as innovative entries (Davidson, 2003, Kirzner, 1973).

The notion of entrepreneurial action will be examined from a number of economic perspectives, interest in social, political and cultural entrepreneurship as it is currently flourishing but scholarly and public understanding of entrepreneurial actions are inspired by economic theory.

Nahapiet and Ghoshal (1998) and Govender (1998) emphasizes that institutional support, including good access to resources; government policies are what encourage entrepreneurship spirit. Gomez and Spencer (2000) break this down into regulating factors (e.g. institutions and policies), cognitive factors (e.g. knowledge of how to start ventures and obtain financial support) and normative factors (e.g. the perception of entrepreneurship as a career) which are used to explain both types and levels of entrepreneurship. Researchers over emphasise the special influence of organisations and employment established firms (Freeman, 1986). Organisations are said to serve

three critical functions: they provide opportunities to build confidence in ability to create new organisation, provide general industry knowledge and specific provision of entrepreneurial opportunities which provide social networks and access to critical resources such as human capital and access to funding (Audia and Rider, 2005).

This is true in terms of both defining the phenomenon and guiding empirical research and also as a source of legitimacy in theory development (e.g. Ogbor 2000, Sreyaert and Katz 2004).

The focus of individual traits has been likened to both neoclassical assumptions about complete information (Shane 2000; Schumpeter 1934) as well as the economic theory, and Austrian economics (e.g. Venkatarama 1997; Shane 2003) emphasise the importance of entrepreneurship. Schumpeter's focus on entrepreneurship as getting things done, for instance, is a source of inspiration for empirical research on entrepreneurial behaviours. Aldrich (2005) opined that influence of contemporary research on entrepreneurship theory is perceived by entrepreneurial actions.

## 1.3 Context of the study

Agupusi (2007) opined that 1994 was a turning point in the policy shaping the South African small business sector has seen the growing participation of the private sector. However, over the years the most significant development in the sector is the pivotal role allocated by both the government and private sector to small, medium and micro enterprises (SMMEs) in poverty alleviation and transformation processes (Van Rooyen and Antonites (2007).

The National Development plan (2030) attempts to outline policies that will make South Africa move forward through poverty and inequality by broadening the opportunity to achieve transformation which calls upon the use of resources, skills, talents and assets for all south Africans, the policy is about adequately advancing social justice and addressing disparities as the vision flows from the Constitution and its preamble.

In an attempt to narrow the gap between the first and second economy within South Africa, the South African government implemented the broad-based black economic

empowerment (BBBEE) to accelerate the of entry of black people into the first economy (Fauconnier and Mathur-Helm, 2008).

The first economy refers to the dynamic and competitive activities that are part of the economic mainstream and included in the country's tax and other arrangements. Most resources and wealth are concentrated in the first economy. The second economy on the other hand is referred to as those working informally (informal and subsistence enterprises) whose activities is characterised by underdevelopment, contributes little to GDP, is structurally disconnected from both the first and global economy and is incapable of self generated growth and development (COSATU, 2013).

The second economy is unable to generate the internal savings that would enable it to achieve the high rates of investments it needs and accordingly, on its own, it is unable to attain rates of growth that would ultimately end its condition of underdevelopment (Fauconnier and Mathur-Helm, 2008).

The Department of Trade and Industry (DTI) introduced generic scorecard to be used to determine the contribution or level of compliance an entity makes towards BBBEE across seven elements identified as ownership, management control, employment equity, skills development, procurement, enterprise development and socio economic development. Each element has a code and the elements are therefore referred to as the codes of good practice on BBBEE. The codes are important to decision makers when making and reporting economic decision, are implemented when the decision makers are; reporting on BBBEE spend and initiatives, making economic decisions based on BBBEE criteria, and when selecting and implementing BBBEE initiatives

Economic transformation is defined by the Broad Based Black Economic Empowerment Act (B-BBEE Act, 2003), as the empowerment of African, Indian and Coloured people, as well as women, workers, the youth, people with disabilities and people living in rural areas, through Increasing the number of black people through increasing the number of black people that manage, own and control enterprises and manage, own and control enterprises, productive assets and facilitating ownership and management more human-resource and skills development as well as equitable representation of workforce and preferential procurement and investment in business that are black owned to improve inequalities (National Development Plan, 2030).

In almost every sector of South Africa there is a shortage of skills, and one must remember that the keys to any successful country in the modern world are access to information and access to skills (Agupusi, 2007:1-7). South Africa is also in a global struggle for skills, with the skills shortage being a global phenomenon; to make sure that the country moves forward one need to address the historical past of apartheid by economically reversing the effects of the past by transferring much needed skills and knowledge holistically (Daniels, 2007; 1:3 ; Edward, 2001:1-8).

According to Turton and Herrington (2012:1-64), the authors averred that participations and entries to business are not easy and affordable for new and growing business in South Africa. The construction sector in South Africa is dominated by few large, established businesses and this makes it difficult for new and smaller businesses to compete positively. However, the new Black Economic Empowerment (BEE) policy seeks to address this imbalance by allocating higher weightings to enterprise development.

Again, (Turton and Herrington, 2012) stated that government support for enterprise development appears to be focusing on quantity rather than quality with corruption becoming more rampant and this in turn affects businesses' ability to survive and grow in South Africa.

The enterprise development targets for the construction sector are premised on a symbiotic relationship between the established organizations (EOs) and the developing organizations (DOs) in a range of development areas (Charter, 2009). Yet the construction sector is still struggling to meet the transformational goals set for it (Martin and Root, 2012) and is mired by unethical and uncompetitive practices especially involving the EOs (Finweek, 2013). An analysis of the attitudes of entrepreneurs (both the Established organizations and the Developing organizations) will assist in understanding the impact of Enterprise Development initiatives in the construction sector.

The promulgation of the B-BBEE Act in 2003 (Act 53 of 2003) and the subsequent adoption of various Codes of Good Practice on Broad-Based Black Economic Empowerment in 2007 mirrored the need to address the historical ‘triple challenge’ (COSATU, 2013) of unemployment, inequalities, and poverty. Nowhere was the need for transformation more amplified than in the construction industry (Rwelamila, 2002;

Charter, 2007; 2009). The Charter (2007) noted that the sector was saddled by many challenges despite its eminent and indispensible role in the economy of South Africa. One of the challenges in the sector is the low participation and sustainability of the black-owned SMMEs. Specifically, the Charter (2007, p.4) notes:

> There is little penetration of black enterprises in those components of the sector that are more knowledge and capital intensive. This situation is exacerbated by the absence of adequate financial and other support mechanisms for SMMEs …

A recent study by Martin and Root (2012) notes significant problems faced by emergent (black) contractors in the construction industry as it seeks to achieve transformation. Consistent with the foregoing, one of the objectives of the Charter (Republic of South Africa, 2007) is to: "enhance entrepreneurial development and promote the sustainable growth of micro, medium, and small BBBEE enterprises" (p.6) at the core of this strategy is Enterprise Development which is one of the seven measurable scorecard elements of the Charter (2009). The first Charter for the Construction sector set a seven-year timeline for the achievement of Enterprise Development targets ending December 31, 2013 although the second Charter no longer gives a time-frame.

## 1.4 Problem statement

### *1.4.1 Main Problem*

The problem is that there is little holistic understanding of enterprise development in South Africa's construction sector. This study will investigate the attitudes of entrepreneurs and policy makers towards enterprise development performance and couple it with an exploration of the constraints to enterprise development in the construction sector of South Africa in order to bring holistic understanding of the phenomenon. Enterprise development performance in South Africa's construction has important implications for the transformation discourse in terms of the Construction sector Code of Good Practice.

### *1.4.2 Sub-Problems*

1. The first sub-problem is to investigate the perceived impact that attitudes of entrepreneurs in the South African construction sector have on enterprise development initiatives in the industry

2. The second sub-problem is to ascertain the perceived constraints of enterprise development in the construction sector

3. The third sub-problem is to determine whether differences in the extent to

### *1.4.3 Detailed problem statement*

Enterprise Development in present day South Africa faces a myriad of challenges. firstly, there is the mismatch between the expectations of the EO's who perceive enterprise development as mere compliance issue to set off requirements while perceived attitudes of expectations towards enterprise development from DO's is growth. The study tries to analyse and measure the attitudes of entrepreneurs towards enterprise development initiatives in the established organizations and contrast them with those of entrepreneurs in the developing organizations within the framework of the enterprise development scorecard metric of the construction sector code of good practice and explain the constraints to enterprise development. Furthermore and most importantly, the researcher wishes to establish whether the prevalent attitudes have an impact on sustainability of Small, Micro and Medium Enterprises (SMMEs).

## 1.5 Research purpose

### *1.5.1 Purpose of Study*

The purpose of this study is to investigate the attitudes of entrepreneurs and policy makers towards enterprise development performance in construction sector initiatives in developing SMMEs in South Africa. The report will observe the attitudes and constraints of enterprise development as perceived by entrepreneurs in Eos and Dos with special focus on the construction sector in South Africa. A targeted search conducted by the researcher on academic journals reveals dearth of context-specific empirical literature on the influence of attitudes, constraints and enterprise development in the construction

industry of South Africa. The search yielded empirical research pertaining to the transformation of the sector (Rwelamila, 2002; Martin and Root, 2012) but this did not examine the issue of attitudes and enterprise development. On the other hand, there are several publications of a policy nature that have been generated by government focusing on the construction sector Codes of Best Practice (Republic of South Africa, 2007; 2009). While these provide the guidance on policy trajectory shaping the construction sector, they are not useful in giving academic insights on the key issues confronting the sector.

## 1.6 Significance of Study

The study will provide clarity on the constraints and attitudes towards enterprise development from the stakeholders (established organisations, developing organisations and policy makers) perspectives. The study will also help stakeholders in the transformation discourse of the construction sector by providing new empirical insights into the state of Enterprise Development.

Finally, the study will contribute towards research on the policy-making process pertaining to the construction sector and may also appeal to academics and students of enterprise development and entrepreneurship

## 1.7 Delimitations of Study

The study recognizes that the construction industry is not homogenous and consists of large construction firms and small construction firms. The study population will consist of both established organizations and developing organizations in the sector as defined in the Charter (Republic of South Africa, 2009). The individuals tasked with enterprise development in established organizations and the owner/managers in the developing organizations will constitute the key informants for the study. The study will focus on only those organizations which are considered as qualifying for enterprise development under the Department of Trade and Industry Strategy (DTI, 2006).

## 1.8 Conceptual/theoretical definition of terms

**SMMEs** SMMEs are small businesses which are separate and distinct business entities, including cooperative enterprises and non-governmental organizations, managed by one owner or more and operate in any sector or subsector of the economy and can be classified as micro, very small, small, and medium (Agupusi, 2007).

**Enterprise Development (ED)** This study adopts the definition of Enterprise Development used in the Charter (Republic of South Africa, 2007: 24) which is: "The development of black-owned enterprises (i.e. 50% plus one share) through investment, mentoring, skills development, and systems transfer"

**Construction Industry** The construction sector consists of all "enterprises that are involved in the expansion/creation and/or maintenance of fixed assets related to residential or non-residential buildings, infrastructure, or any other form of construction works in South Africa. This includes, but is not limited to: residential and non-residential building contractors, civil engineering contractors and built environment consultants" (Republic of South Africa, 2009:29)

**Established Organization (EO)** This refers to an entity which, in the relationship agreement of cooperation and assistance in terms of the enterprise development scorecard, is responsible for developing, implementing and supporting an enterprise development programme within a contracting developing organization and may not hold more that 20% equity either directly or indirectly in the developing organization (Stenzel, 2012).

**Developing Organization (DO)** This refers to an entity which, in the relationship agreement of cooperation and assistance in terms of the enterprise development scorecard, is: compliant with the requirements of the tax regulator; an employer of at least three other permanently employed personnel; and is 50% or more black-owned or 30% or more black woman-owned (Republic of South Africa, 2009: 20)

**Code of Best Practice (Charter)** This refers to the Construction Sector Charter governing the transformation process of the sector in terms of Section 9 (1) of the Broad-Based Black Economic Empowerment Act, 53

| | |
|---|---|
| | of 2003 and which contains a number of codes including the Enterprise Development Code 2600 which governs the arrangements for enterprise development in the sector. |
| **Entrepreneurial Orientation** | This study defines entrepreneurial orientation as the entrepreneurial abilities of a business which enable it to unlock competitive advantage. |

## 1.9 Assumptions

There are various assumptions that were made in this study that may have an impact on the outcome of the study. These assumptions were:

- The respondents were policy makers, owners and managers of the enterprises and had sufficient knowledge of their business and were able to share information freely.
- The respondents were able to reflect their genuine view by being honest and truthful in their experience of applying for funding. Any bias may have skewed the results and reduce validity.
- The respondents have a reasonable knowledge of the process and criteria used in Enterprise Development.
- There is availability of data on the performance of enterprise development strategy given the sensitive nature of the information in present day South Africa and unfair business practices.
- The mixed method approach adopted is appropriate in addressing the research hypotheses
- The study sample will be representative of the population and that participants will be honest and non-biased in their participation in the study.
- The easiness in getting the responses given the sensitive nature of data being gathered.

# CHAPTER 2: LITERATURE REVIEW

## 2.1 Introduction

This chapter reviews the theoretical background, constructs and concepts of entrepreneurship, enterprise development, attitudes, and transformational leadership. In order to be able to come to a conceptual framework to help in defining the key research questions for the study, the literature reviewed focussed on; as this study dealt with entrepreneurship, the literature reviewed entrepreneurship on a broader scale, and then narrowed down to entrepreneurship in emerging markets/economies. This process was followed in order to be able to make a comparison of the South African situation with what occurs in other similar countries.

The study also focused on the literature on barriers to enterprise development within South Africa's construction sector and on the basis of all the aspects of the literature review, a conceptual model was formulated from which the research questions were derived.

The chapter concludes with derivation of the hypotheses tested.

## 2.2 Entrepreneurship

Entrepreneurship is a complex topic essentially because it concerns complex relationships between entrepreneurs, the business they create, the general society that they interact with, and the climate and culture within which they operate (Casson and Godley, 2005:25-28). Entrepreneurship scholars have developed numerous definitions to describe entrepreneurship; there has been no consensus among researchers with regards to entrepreneurship definition (Lumpkin and Dess 1996:137-162, Solymossy, 1998:10-36) According to (Barreira, Botha, Oosthuizen and Urban, 2011:112) in simplistic form, entreprenuers cause entreprenuership. An entreprenuer discover opportunities created by errors and inefficies and continually face substantial uncertainty (Barreira et.al, 2008). Entrepreneurship by definition proposed here takes a

economist stance, of organising, managing and assuming the risks of a business or other enterprise (Bruyat and Julien, 2001:166).

Harvie and Lee (2005:7-77), states that economic growth, development and innovation have all been positively linked to a vibrant small and medium enterprise (SME) sector and government policies to promote the development of SMEs are common in both developed and developing countries. According to Gibb (1993:18-52), it has become common place for governments to implement policies that are designed to promote small and medium-sized enterprises (SMEs). This has coincided with an increase in the importance of policy SMEs in most of developed economies in terms of contribution to employment and economic growth, policy makers will need to bear in mind that policy need not to be static when designing appropriate interventions for firms (Sanyang, and Huang, 2010:323).

Central to entrepreneurship is the need to create an enabling climate that supports SMEs need to ensure a strategy that support entrepreneurial, access to market and resources but a number of issues are hampering development and success (Beyene, 2002:132-134). Through innovation, entrepreneurs create new competitive markets and businesses which lead to high performing firms with an organization that is goal–directed social entity that consist of deliberately structured and coordinated activity in the system (Amit and Zott 2001:3).

Enterprise development is about improving infrastructure, building local partnership and generally promoting an inclusive and dynamic framework which becomes the dominant strategy for economic growth policies that address poverty (Davis and Rylance, 2005:6-10). According to Koma (2012:1-57), employment creation and inclusive growth are central objectives that South Africa strives to achieve. In the same vein, Koma (2012:59) underscored that entrepreneurs who start SMEs and run such enterprises are crucial in this context as SMEs have been widely acknowledged to be major contributors to gross domestic product (GDP) and small business support services should be provided as part of promoting social and economic development.

## 2.3 Entrepreneurship in Emerging Markets

Entrepreneurship is receiving great attention from policy-makers and experts in developed and developing countries. This interest, as argued by Kantis et al. (2002), is based on evidence demonstrating the contribution of entrepreneurship to economic growth, increased productivity, and rejuvenated social and productive networks. Entrepreneurship has been shown to help revitalise regional identity, make the innovation process more dynamic, and create new job opportunities (OECD, 2001; Audretsch and Thurik, 2001). Audretsch and Thurik (2001) also emphasise the ability of entrepreneurship to promote economic growth and have also presented evidence regarding the relationship between the level of entrepreneurial activity and economic growth rates. These authors point out that entrepreneurship generates economic growth because it is a vehicle for innovation and change and thus promotes the knowledge-sharing process (Kantis et al., 2002). At the same time, the entry of firms into new sectors of the economy and exit from industries in decline is a process that spurs improvements in productivity and facilitates modernisation of company structures, argue Kantis et al. (2002).

The study of SMME dynamics in the developing world, according to Gomez (2008) was inaugurated by a team at the University of Michigan (USA) led by Liedholm and Mead. A study conducted by Lingelbach et al. (2005) reveals that entrepreneurship in emerging markets is distinctive from that practised in more developed countries. It was established that a better understanding between these distinctions is critical to private sector development in developing countries. Emerging markets are more interested particularly in new and growth-oriented enterprises with high potential to create a sustainable economic growth than in micro-enterprises or long-established SMMEs with limited growth prospects. The distinctions between growth-oriented entrepreneurs in developing and developed markets are rooted in the inefficiency of markets in many developing countries, but the response of entrepreneurs to these inefficiencies is often surprising and counter-intuitive (Lingelbach et al., 2005).

Dating back to the 1970s (Gomez, 2008), there has been a growing awareness of the importance of SMMEs and the role they play in their contribution to economies in terms

of growth. They are seen as the engines of employment, alleviating poverty and improving equality. In the 1980s there was an intensification of interest in this sector, which resulted in the expansion of policy by many governments. This new focus and direction came through a discovery of widespread entrepreneurial activity in both developed and developing countries. In the developing countries, entrepreneurship developed largely among the poor, and enhancing SMMEs meant that they could effectively and rapidly fight poverty. SMMEs contribute to economic development in several ways: as an important channel to convert innovative ideas into economic opportunities; as the basis for competitiveness through the revitalisation of social and productive networks; as a source of new employment, and as a way to increase productivity (Kantis et al., 2002).

Some researchers have, however, argued that the evidence supporting the view that SMMEs are key drivers of economic growth is in fact not conclusive (Lingelbach et al., 2005). Other researchers have found that in both developed and developing countries job creation and growth are highly concentrated (Kantis et al., 2002). The great majority of SMMEs are not very growth prone (Gomez, 2008). According to a study conducted by Gomez (2008), it was established that the European Commission found that 50% of total net job creation in the SMME sector is created by a mere 4% of these firms. In Sub-Saharan Africa a similar pattern has been indicated. It has been established that the enterprises that significantly contribute to employment growth are in fact just 1% of the SMME universe (Mead, 1994). Liedholm and Mead (1999) identify four types of entrepreneurial firms in developing countries: newly established, established but not growing, established but growing slowly, and graduating to a larger size. Gomez (2008) argues that that there are two categories in which SMMEs fall and they are a very large group which for various reasons will remain small forever and a small group, which will expand.

## 2.4 Entrepreneurship in South African Context

South Africa as an emergent economy must identify the transformative entrepreneurs who must be identified and nurtured through policy that accelerate economic growth (Wong and Autio, 2005:334-339). Government inevitably plays a vital role in an economy , economic development is about working together to achieve sustainable economic

growth that bring economic benefits and quality of life which reduce poverty and inequality (Porter, 2000:15-24). The most widely used measure of entrepreneurship according to Global Entrepreneurship Monitor report is the TEA (Total Entrepreneurial Activity) or 'early stage entrepreneurial activity' index (Herrington, et. al. 2010). TEA measures entrepreneurial activity by looking at the percentage of the active population, people between 25 and 64, who are entrepreneurs in any given country. South Africa's TEA decreased from 9.1% in 2011 to 7.3% in 2012 (SEDA, 2013). South Africa's opportunity-driven rates increased from 63% in 2011 to 67% in 2012 (SEDA, 2013). Current jobs on average for opportunity- driven businesses in the early entrepreneurial phase are 6.1 per firm, compared 2.1 for necessity-driven firms.

There was also a sharp difference within demographics groups with the percentage of Black Africans in the early - stage entrepreneurship is higher than the percentage in the overall population (with a ration of 1:2) and Coloured are the least entrepreneurial in the early stages, with a ratio of 0:3, entrepreneurs to the overall Coloured population, compared to other race groups where other race groups where the majority are motivated by opportunity (Kelley, Singer, and Herrington, 2012:4-36). This situation is considered alarming in context where South Africa's national gap between rich and poor has become the highest in the world (South Africa is at a Gini index of 57.8% compared to Brazil's 57 (World Bank, 2012). Consequently the vast majority of South Africa's remain excluded from ownership, control and management of production assets and access to training in strategic skills, this is not only unjust, but inhibits South Africa's ability to achieve its full economic potential (Iheduru, 2004:3-7; Kajimo-Shakantu:3-36).

The Global Entrepreneurship Monitor seeks to better understand this complex relationship with specific reference to the SMME (Herrington et. al. 2008:15). Entrepreneurial activity drives economic growth and job creation; the most competitive nations are those that have the highest level of entrepreneurial activity (Herrington, Kew and Kew, (2008:16).

## 2.5 Exploring Conceptual Underpinnings of Enterprise Development

Enterprise Development Theory provides some paradigms to analyze the performance of the proposed strategy of BEE in construction sector. We shall explore two performance

models namely the constructivist framework and the entrepreneurial orientation – performance relationship. Constructivist framework attempt to explain the business environment and success of business venture while entrepreneurial orientation relates to risk taking, pro-activeness and innovation in business. These models help to explore enterprise development performance of business.

The constructivist framework argues that an enterprises performance is influenced by endogenous and exogenous forces. Endogenous explanations “assume that the entrepreneur account for a substantial part of the success of a new venture” (Bouchikhi, 1993). While the exogenous explanations “ascribe the analytical primacy to the environment as the most critical source of success or failure of the ventures” (Bouchikhi, 1993). The environment may include but not limited to economy, socio-political environment, technological changes etc. The constructivist view is designed to align the endogenous and exogenous as integral to each other in explaining the performance of new ventures. In other words a new ventures success is not solely reliant on the personal traits of the individual but also on the environment the new venture operates in.

Performance will also need to be measured against the skills set of doing the work. Again there needs to be an enabling environment that ensures the proper training is provided as and when required. Furthermore there needs to be constant quality assessments to ensure that the outputs of the training are producing quality. Both the endogenous and exogenous forces need to be closely monitored and evaluated to ensure that venture is performing optimally (Gray, 2002).

The entrepreneurial orientation and performance framework argues that new organizations are an outcome of an entrepreneurial process that encompasses “processes, practices, and decision-making activities that lead to new entry” (Dess and Lumpkin, 1996:135). In other words the entrepreneurial process encompasses a systematic adoption of processes, decision-making that eventually lead to the creation of a new venture. Furthermore entrepreneurial orientation (EO) is characterized by EO dimensions that play a part in determining the performance of a new venture. (Dess and Lumpkin, 1996).

These dimensions are: a propensity to act autonomously- ability to bring an idea to life, innovate- introductions of new services that break away from the norm, take risks – make

large resource commitments with an expectation of high returns often with some ambiguity, pro-activeness - anticipating and pursuing opportunities and tendency to be aggressive against the competitor – ability to challenge competitors. It is not a requirement for all the dimensions to be at play at the same time for the new venture to perform. (Dess and Lumpkin, 1996). The performance of the new venture is not only influenced by the EO dimensions but also by the environment which could either be friendly or hostile. Hence a combination of the environment and the respective EO dimensions will determine the success of the new venture.

The strategy adopted for ED is one that can measure by adopting the EO dimensions in relation to the environment. Optimal new venture performance is best achieved where there is congruence amongst the environment, structure of the organization and strategy (Dess and Lumpkin, 1996). Again, Dess and Lumpkin (1996:156) argue:

> Firms with an entrepreneurial orientation that use an organic structure will have higher performance relative to those that do not use an organic structure.

In other words, ventures that have a decentralized and informal structure tend to encourage a culture of inclusiveness for all involved in the production process which in turns makes them higher performing organizations. (Dess and Lumpkin, 1996)

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requirement for all the dimensions to be at play at the same time for the new venture to perform (Dess and Lumpkin, 1996).

The performance of the new venture is not only influenced by the EO dimensions but also by the environment which could either be friendly or hostile. Hence a combination of the environment and the respective EO dimensions will determine the success of the new venture (Fatchur Rohman, 2013:1-6). The turbulence business environment will cause the influence from EO on performance of becoming increasingly complex. According to DTI (2005:600-6) measured entities notwithstanding the award of any bonus points for qualifying Enterprise Development in construction sector directly contribute to employment creation and acceleration of Exempt Micro Enterprises development in South Africa. Razak (2011:150) concludes: 'Even, many governmental programs have been executed in reinforcing the performance of SMEs enterprises'. In South African SMMEs in construction sector faces challenges which could obstruct their hardiness and aggressiveness, (Dti, 2005).

According to DTI (2005), the five key challenges still confronting South African SMMEs are:

a. Lack of access to finance
b. Human resources constraints or Skills transfer
c. Limited or inability to adopt technology
d. Lack of information on potential markets and customers
e. Management skills

These challenges faced by South African SMMEs pose limitations to their ability to graduate from one level to another (Beyene, 2000:130-136). The Department of Trade and Industry (2009) has formulated key measurement principles for Enterprise development in construction sector key which include strengthening the enabling environment, building the capacity through partnership participation, enhancing access to financing by SMMEs, through organisation such as CETA and SEDA who also plays an important role (Esser and Dekker, 2008:3). The strategy adopted for ED is one that can measure by adopting the entrepreneurial orientation dimensions in relation to the environment. Optimal venture performance is best achieved where there is congruence amongst the environment, structure of the organization and strategy (Lumpkin and Dess,

1996). This study defines entrepreneurial orientation as the entrepreneurial abilities of a business which enable it to unlock competitive advantage. Further, the study adopts all the five dimensions as part of its entrepreneurial orientation construct scale

The success and performance is also determined by the industry in which the cooperative will be supplying. This point is reinforced by Lumpkin and Dess (1996) when they state “that a firm’s industry context was a significant predictor of performance” (p. 158).

## 2.6 Enterprise Development in South Africa Context

South Africa has run enterprise development programmes and created and adopted policies aimed at promoting enterprise development albeit not much is known about their efficacy in the construction industry according to SEDA (2013). This study adopts the definition of Enterprise Development used in the Charter (Republic of South Africa, 2007: 24) which is: “The development of black-owned enterprises (i.e. 50% plus one share) through investment, mentoring, skills development, and systems transfer”. There legislative framework governing the enterprise development consists of the following:

### 2.6.1 The Broad-Based Black Economic Empowerment Act

The Broad-Based Black Economic Empowerment Act 53 of 2003 (RSA, 2003) was promulgated with the key objective of enhancing economic participation and advancing economic participation of black people in South Africa’s economy (B-BBEE Act, 2003). The B-BBEE Act of 2003 spells out the main areas of the South African economy which need to be developed within the discourse of transformation. These targeted areas of development are assessed on the basis of measurable outcomes in terms of increased employment, equal opportunities and access to services, and equitable income distribution.

Most authors emphasize that institutional support, including good access to resources such as access to funding and skills are what encourages entrepreneurship. Busenitz, Gomez, and Spencer (2000), break this down into regulating factors (e.g. institutions and policies), cognitive factors (e.g. knowledge of how to start ventures and obtain financial

support) and normative factors (e.g. the perception of entrepreneurship as a career) which are used to explain both types and levels of entrepreneurship management.

The Act provides the legislative framework for promoting broad-based economic empowerment and mandates the department of trade and industry to issue Transformation Charters and Codes of Good Practice relevant to each sector. It is on this basis that the Construction Sector Charter of 2007 (amended in 2009) was created in terms of Section 9 (1) of the B-BBEE Act to transform the sector while advancing the economic participation of HDIs in the sector.

The South African construction has long been considered vulnerable to systemic problems chief of which is its failure to integrate with overall government policy. The creation of the South African Construction Industry Development Board was a conscious effort to bring about socio-economic transformation of the industry through a cooperative framework that supports public-private partnerships (Rwelamila, 2002).

The Broad-Based Black Economic Empowerment Act (No. 53 of 2003) establishes a legislative framework for the promotion of B-BBEE, provides for the gazetting of transformation charters and empowers the minister of Trade and Industry to issue codes of good practice (Horwitz and Jain, 2011). The construction sector believes that positive and proactive through the implementation of a construction code of Good practice would address inequalities in the sector, unlock the sector's potential and enhance its growth.

### *2.6.2 Sector Codes of Good Practice*

The gazetting of the Sector Codes of Good Practice across key sectors of the economy on B-BBEE in 2007 (Republic of South Africa, 2007) provided guidance on how this partnership could be achieved in seven measurable scorecard elements: Preferential Procurement, Skills Development, Socio-Economic Development, Employment Equity, Ownership, Management, and Enterprise Development (DTI, 2013). All this work built on the white paper on national strategy for development and promotion of small businesses in South Africa (Integrated Strategy for Small Enterprise Development, 1995) which recognised barriers to SMMEs development.

### *2.6.3 Integrated Strategy on Small Enterprise Development*

The Integrated Small Enterprise Development Strategy outlined the trajectory for the development of SMMEs in South Africa between 2005 and 2014. It is anchored on three pillars and is a result of extensive consultations with various stakeholders on how best to promote SMMEs for macro-economic development (Dti, 2005). The key strategies underpinning the integrated strategy for Enterprise Development are:

- Promoting entrepreneurship
- Strengthening the enabling environment, and
- Enhancing competitiveness and capacity building at the enterprise level

According to the Integrated Strategy for Small Enterprise Development document, entrepreneurship can be promoted through leadership training awards and campaigns targeting the SMMEs while the enabling environment would be strengthened through improved infrastructure facilities, business support, better access to markets and finance, and flexible regulations. Competitiveness and capacity building at enterprise level would be enhanced through commercialisation of incubation, technology transfer, skills training, and quality improvement among other raft of interventions. The Integrated Strategy for Small Enterprise Development identifies the construction sector as a priority for small enterprise development with potential to encourage the growth of Black, Women, and Youth-owned enterprises.

## 2.7 South Africa Construction Sector Enterprise Development

### *2.7.1 State of the Construction Sector*

In a review of Africa, including South Africa's construction sector, Oirere (2012) noted that the outlook was less positive for sub-Saharan Africa's construction sector with South Africa projected to experience muted growth. This point was underscored by Elsie Snyman of research firm *Industry Insight* who projected that the trend would persist up to 2015 largely as a result of flat inflation-adjusted budget allocations to the construction

sector. However, another research firm Business Monitor International envisaged a marginal growth of 2.7% on the back of the Infrastructure Development Plan proposed by President Jacob Zuma to create jobs and boost the economy. In his State of the Nation speech of February 9 2012, President Zuma said:

> *"We plan to develop and integrate rail, road and water infrastructure to unlock the enormous mineral belt of coal, platinum, chrome and other minerals"*

This projected demand for infrastructure in South Africa means that the development of the construction sector and its capacity building remain critical issues for government through institutions such as the Construction Industry Board (CIDB, 2009). The government also believes that the construction industry is key in the economic empowerment and transformation discourse of Historically Disadvantaged Individuals (HDIs) and South Africa's industry in general (RSA, 2009). Significantly, the construction industry is being touted as ideal for initiating skills development and sustainable enterprise development (Magwenya, 2009; CIDB, 2009).

The construction industry has historically faced talent shortages with the PM Network (2012) noting that latent skill gaps and latent skill shortages have been a result of emigration of skilled workers and that these represent a threat to the success of government's ambitious ZAR3 trillion infrastructure investment programme. In their analysis of the of the key civil engineering sector of the construction industry, Martin and Root (2012) note that the low skills associated with emerging contractors in the industry do not help matters and further amplify the need for skills and sustainable enterprise development. It is for this reason that the South Africa Institute of Civil Engineers (SAICE) has prioritised the development of skills in the construction industry on the basis of public-private partnerships (PPPs). This makes it imperative for skill development to be embedded in the enterprise development targets of the current Charter for the Construction sector.

### *2.7.2 Framework for Enterprise Development in Construction Sector*

The framework for enterprise development in South Africa's construction sector consists of varies policies, institutions, and regulations governing the transformation process in the sector and these are reviewed under this section.

#### 2.7.2.1 The Construction Sector Code of Good Practice

The Construction Sector Transformation Charter Published in Government Gazette no.29616 provides the basis for the development of a construction code of Good Practice as it support the commitment of the parties thereto to actively promote a vibrant, transform and competitive construction sector that provides adequate services to the domestic economy, reflect the south African nation as a whole, and contributes to the establishment of an equitable society (Dti, 2014).

The Code provides a framework for the construction sector to address broad based transformation, enhance capacity and increase the productivity of the sector to meet world best practice. The Code in general supports all the objectives of the Construction Transformation charter and in particular aims to:

- Achieve a substantial change in the racial and gender composition of ownership control, and management in the sector;

- Promote the effective advancement of employment equity in the sector and adherence to principles of non-racialism and non-sexism;

- Provides to the construction sector the first quantitative method for monitoring and evaluating the progress of an enterprise towards B-BBEE and thereby contribute to ending the malpractice of fronting;

- Address skills development in a manner that accelerates the advancement of black people, black woman and designated groups with a particular emphasis on learnership, technical and management training;

- Increase the procurement of goods and services from B-BBEE enterprises and standardise preferential procurement methodology;

- Enhance entrepreneurial development and promote the sustainable growth of micro, medium and small BBBEE enterprise.

#### 2.7.2.2 Code Series 2600: Measurement of Enterprise Development Element of Broad-Based Black Economic Empowerment

Code Series 2600 lays down the general principle for measuring Enterprise Development within the Construction sector on the basis on an Enterprise Development Scorecard. It also outlines the pre-requisites for an Enterprise development relationship between the established organization (EO) and developing organisation (DO). For instance, the EO may not have an equity holding larger 20% in the DO, either directly or through a flow through calculation. On the other hand, the DO that can qualify for Enterprise Development must:

- Be a legal entity compliant with SA Revenue Service requirements;
- Be an employer of at least three other permanently employed personnel and not merely a one person operation with temporary employees.
- be 50% or more black owned or 30% or more black women owned.

Code Series 2600 also spells out the requirements for an Enterprise Development program on the basis of the following five requirements before the relationship with a potential recipient of enterprise development will be labelled as an official enterprise development relationship:

- Developed a Needs Analysis for the developing organisation (DO).
- Generated a development program with milestones targeted areas for development chiefly: Management and labour skills transfer; establishment of administrative system; establishment of cost control system; planning, tendering and programming skills transfer; business skills transfer with emphasis on entrepreneurial and negotiation skills; technical skills transfer with emphasis on innovation; legal compliance; procurement skills transfer; establish credit rating/history; and Contractual knowledge transfer

Other obligations attaching to Code Series 2600 for the EO include developing a schedule of activities of activities to address the identified development areas and allocating resources for the development of the developing organisation involved in the enterprise development relationship. These contributions will be captured in the ED Ratio Matrix indicator dealing with Enterprise Development Contributions (Table 2.1). The EO is also expected to appoint a champion for Enterprise Development who must be an accountable and responsible person from at least senior management level within the EO.

**Table 2.1 The ED Ratio Matrix.**

| **Contractors** | | | | **BEP,s** | |
|---|---|---|---|---|---|
| Annual Turnover of Measured Entity during the current financial year. | Requirements related to current measurement period | | Annual Turnover of Measurement Entity during the current financial year. | Requirements related to current measurement period | |
| | X | Y | | X | Y |
| Greater than or equal to R1 billion | 7 | 5% | Greater than or equal to R300 million | 3 | 5% |
| Greater than or equal to R500 million | 5 | 5% | | | |
| Greater than or equal to R300 million | 4 | 5% | Greater than or equal to R100 million | 2 | 5% |
| Greater than or equal to R35 million | 2 | 5% | Less than a R100 million | 1 | 5% |
| Less than R35 million | 1 | 5% | Less than a R100 million | 1 | 5% |

**Source:** *Construction Sector Code Series 2600*

However, there are three exceptions to the rule; (1) entities with an annual turnover of less than R5 million are automatically granted a BBBEE Status as Level Four Contributors. However, if such an entity has more than 50% ownership by black people or black women, its status is elevated to that of Level Three Contributors, (2) entities with an annual turnover of between R5 million and R35 million are defined as qualifying small enterprises. In this case, the Scorecard allocates an equal 25% weighting to each of the seven elements, or pillars, of BBBEE (Department of Trade and Industry, 2007). As qualifying small enterprises, they only have to pick any four of the seven elements, and

(3) entities with an annual turnover of R5 million or less, are defined as Exempted Small and Micro Enterprises (Department of Trade and Industry, 2007). Exempted Small and Micro Enterprises are recognized as Level 4 contributors and those which are either 50%, owned by black people or 50% owned by black women are promoted to a Level 3 contributor (Department of Trade and Industry, 2007).

#### 2.7.2.3 Construction Education and Training Authority

Established in 2000 through the Skills Development Act, 97 of 1998 the Construction Education and Training Authority (CETA) is responsible for influencing the direction of skills development and training in South Africa's construction industry. Its mandate is to ensure that such training and skills development is reflective of the requirements and needs of the industry (RSA, 1998). As highlighted in the sub-section 2.3.1 of this report, the construction industry has historically faced talent shortages with the PM Network (2012) noting that latent skill gaps and latent skill shortages have been a result of emigration of skilled workers. The CETA is therefore responsible for redressing this anomaly through focused interventions in training and skills development. It does this through targeted Construction Survey (the last one was conducted in 2008) which collects baseline data on skills in the industry; a focused Research Agenda which aims to provide systematic and logical evidence in support of quality education and training in the construction sector; and Occupations Profiling for the construction industry (CETA website, 2013). Skills development and training is a key component of the Construction sector code on Enterprise Development and the CETA is well-placed to facilitate and monitor this component.

### *2.7.3 Constraints to Enterprise Development*

This section reviews literature which explores the factors which dominate and influence enterprise development in the construction sector.

#### 2.7.3.1 Lack of Training and Experience

A study by Martin and Root (2012) notes that the transformation process underway in the country's construction sector augurs well for emerging contractors since the economy needs a wider base to outsource from. Yet the study notes that emerging contractors, who essentially are the SMMEs, are facing obstacles relating to lack of training and

experience and gender-related differences. The study suggests that enterprise development targeting these emerging contractors need to focus on the owners of the businesses and not just focus on the knowledge needs of the businesses. The construction industry has historically faced talent shortages with the PM Network (2012) noting that latent skill gaps and latent skill shortages have been a result of emigration of skilled workers and that these represent a threat to the success of government's ambitious ZAR3 trillion infrastructure investment programme. In their analysis of the of the key civil engineering sector of the construction industry, Martin and Root (2012) note that the low skills associated with emerging contractors in the industry do not help matters and further amplify the need for skills and sustainable enterprise development. It is for this reason that the South Africa Institute of Civil Engineers (SAICE) has prioritised the development of skills in the construction industry on the basis of public-private partnerships (PPPs). This makes it imperative for skill development to be embedded in the enterprise development targets of the current Charter for the Construction sector.

#### 2.7.3.2 Corruption

Bowen, Edwards and Cattell (2012) identified corruption as a major obstacle in transforming the construction sector through enterprise development. Their survey questionnaire revealed that corruption is deemed widespread in South Africa's construction industry. The corruption is a result of several factors ranging from skills shortage, absence of deterrents and sanctions, poor ethical standards. The study notes that the corruption cuts across the supply chain of the industry and manifests in collusion, fronting, contract administration particularly in appointments and tenders. The study by Bowen, Edwards, and Cattell (2012) established four strands around the issue of corruption in the construction industry: the key players involved in the corruption; the various forms of the corruption; the factors which give rise to corruption in the industry; and ways and means of combating corruption in the construction industry.

In terms of the key players fuelling corruption in the construction industry, the study by Bowen et al (2012) charges that both public officials and professional consultants in the construction industry supply chain are at the centre of soliciting bribes and tender manipulation in the industry. The study identifies closeout irregularities, contract

administration, and tender and appointment irregularities as the main forms of corruption in South Africa's construction industry. On the key factors driving corruption in the industry, the study identifies absence of deterrents and sanctions, poor ethical standards, and skills shortage as the major ones in South Africa's construction industry. The study by Bowen et al (2012) notes personal attitudes, procedural impediments, and fear of victimisation as the dominant barriers to an anti-corruption strategy for South Africa's construction sector.

This finding is consistent with the Fraud Triangle theory of corruption (Cressey, 2013) which contends that self-justification, opportunity, and pressure are the key pillars of corruption. The study concludes by recommending a raft of measures aimed at addressing rampant corruption in South Africa's key construction industry. For instance, the study notes improvements in procurement processes especially in the public sector and targeted efforts at instilling higher ethical and moral standards amongst key stakeholders in the construction industry. These initiatives are important in addressing the negative effects of political interference and nepotism which dog the procurement process. The study urges the entire South African construction industry together with private and public sector agencies to adopt a proactive position against the scourge of corruption which is hampering the process of transformation.

#### 2.7.3.3 Fronting Practices

According to the Dti website, fronting: "commonly involves reliance on data or claims of compliance based on misrepresentation of facts, whether made by the party claiming compliance or by another person" (dti, 2013). Fronting is defined within the B-BBEE Act is an attempt to circumvent or a deliberate circumvention of the B-BBEE Act and its Codes of Good Practice such as the Construction Sector Code (Republic of South Africa, 2009). The same source continues to identify the common types of fronting to be window-dressing, benefit diversion, and opportunistic intermediaries. Window-dressing entails tokenist appointments of SMMEs in the construction industry which invariably diminishes their substantial participation in the core activities of an enterprise and or limits their numbers and level of participation in the enterprise (dti, 2013).

On the other hand, benefit diversion limits the potential for black people to benefit from the economic benefits associated with B-BBEE status. Instead of the economic benefits flowing back to black people in the manner stipulated by law, the said benefits are diverted to non-beneficiaries and this limits the impact of transformation in the construction industry (dti, 2013).

The use of opportunistic intermediaries in the construction industry entails connivance between established organizations and opportunistic intermediaries (these are black-owned companies which do not qualify to be developing organizations in terms of the Construction Charter) to conclude B-BBEE agreements which have no direct bearing on transformation of the construction industry. In most cases, it is difficult to establish the bona fides of these opportunistic intermediaries and this invariably limits the potential impact of transformation in the industry (dti, 2013). Despite noting these practices as being fraudulent and putting in place a way of reporting such practices, there is anecdotal evidence to suggest that such practices continue to be pervasive in the construction industry (dti, 2013; Bowen et al, 2012).

## 2.8. Attitudes and Enterprise Development

The discussion of attitudes towards enterprise development in South Africa's construction industry is essentially situated within the theoretical context of transformation and transformational leadership. Both the attitudes of leaders in established organisations and those of SMME entrepreneurs (developing organisations) in the industry are important in shaping the overall success of enterprise development and transformation of the construction industry.

Visser, de Coning, and Smit (2005) interrogated this issue and concluded that transformational leadership cuts across both established organisations and developing organisations. They note that there is renewed focus globally on transformational leadership fuelled by, among other factors, legislative requirements, changes in technology, and globalisation. Transformational leadership is anchored on behavioural processes and a discussion on attitudes towards a transformational initiative such as enterprise development in South Africa's construction industry should essentially strive to

come up with a profile of the entrepreneurs and leaders in the industry (Visser et al, 2005). A key finding of the study by Visser et al (2005) is that within the context of South Africa, there is strong evidence suggesting that entrepreneurs in the SMMEs exhibit characteristics of transformational leadership. Other aspects of the study are discussed in the ensuing paragraphs.

### *2.8.1 Constructs of Entrepreneurs and Transformational Leaders*

Enterprise development is about transformation and both the leaders in EOs and the owners of Dos have an important role in championing ED initiatives. At the core of their ability to do so is the issue of attitudes that they embody through the lived experience of Enterprise Development. Timmons (1977, 1994, 1999) has written extensively on the attitudes of entrepreneurs and the work has culminated in the dominant constructs of entrepreneurship in terms of the attitudes and behaviour of entrepreneurs.

Similarly, Bass (1985) did seminal work on transformational leadership which culminated in the constructs of transformational leadership. Table 2.1 is a summary of these two constructs. In this discussion, transformational leadership is defined as ability to motivate and inspire followers with a view to achieving results greater than originally planned and for internal awards (Visser et al, 2004) while entrepreneurship is construed to mean creating something different with value by devoting effort and time within the context of risk which leads to monetary and personal satisfaction (Visser et al, 2004).

**Table 2.2 Constructs of Entrepreneurship and Transformational Leadership**

| **Constructs of Entrepreneurship** | | **Constructs of Transformational Leadership** | |
|---|---|---|---|
| **Theme** | **Attitude or behaviour** | **Theme** | **Attitude or Behaviour** |
| Commitment and determination | Tenacious and decisive, able to recommit/commit quickly<br>Discipline<br>Persistence in problem-solving<br>Willingness to undertake personal sacrifice<br>Immersed | Charisma (Idealised Influence) | Envisioning, credibility and trust |
| | Self-starter; high standards but not perfectionists; Team builder and hero maker; inspires others -treat others as you want to be treated; Share the wealth with all the people who helped to create it; Integrity and reliability; builder of trust; practices fairness; Not a lone wolf; Superior learner | Inspiration | The extent to which the leader communicates high expectations, using symbols to focus efforts and to express important issues in simple ways. |

| | | | |
|---|---|---|---|
| | and teacher; Patience and urgency | | |
| Opportunity obsession | Having intimate knowledge of customers' needs<br>Market driven<br>Obsessed with value creation and enhancement | Intellectual Stimulation | The degree to which the leader promotes intelligence, rationality and careful problem-solving |
| Tolerance of risk, ambiguity and uncertainty | Calculated risk taker; Risk minimiser; Risk sharer; Manages paradoxes and contradictions; Tolerance of uncertainty and lack of structure; Ability to resolve problems and integrate solutions | Individualised Consideration | The extent to which the leader gives personal attention, treats employees individually, coaches and advises them. |
| Creativity, self-reliance and ability to adapt | Non-conventional, open-minded, lateral thinker; Restlessness with status quo<br>Ability to adapt and change; creative problem-solver<br>Ability to learn quickly<br>Lack of fear of failure<br>Ability to conceptualise and "sweat details" (helicopter mind) | | |
| Motivation to excel | Goal-and results orientation; high but realistic goals<br>Drive to achieve and grow<br>Low need for status and power<br>Interpersonally supporting (versus competitive)<br>Aware of weaknesses and strengths<br>Having perspective and sense of humour | | |

**Source:** Adapted from Bass, B.M (1985) and Timmons, J.A and Spinelli, S. (2004)

Research has pointed out to the lack of strategic behaviour amongst SMME entrepreneurs (Smith and Whittaker, 1998; Boocock, Loan Clarke, and Smith and Whittaker, 1999) which they have described as ‘short-term mindedness’. They propose the adoption of a raft of interventions to address this at the macro, meso, and micro levels as discussed below.

At the macro-level, there is scope to promote transformational leadership amongst entrepreneurs of SMMEs on the basis of focused government initiatives (Foxcroft, Wood, Kew, Herrington and Segal, 2002). Such initiatives may entail interventionist policies aimed at high-growth entrepreneurs (Irwin, 2000) and through formal education opportunities for SMME entrepreneurs in institutions of higher learning (Foxcroft et al., 2002).

At the meso or intermediate level, transformational leadership in entrepreneurs of SMMEs can be enhanced through networks which provide support and advice (Perren and Grant, 2001); partnerships with existing or established organisations which enhances synergy (Boocock et al., 2000); membership of external organisations which

allows them to learn trends and developments in their industry (Thomson and Gray, 1999); sharing of experiences through informal forums (Perren and Grant, 2001), and through continuous skills development (Boocock et al., 1999). Most of the suggestions covered under the meso-level fall within the ambit of enterprise development as conceptualised in the Charter for the Construction industry in South Africa.

At the micro level, the acquisition of transformational leadership by entrepreneurs of SMMEs would entail adoption of a professional approach to how they approach their businesses. This may involve learning from success stories, enhancing personal motivation and leveraging on the expertise of business consultants (Boocock et al., 1999; Irwin, 2000; Rae and Carswell, 2001).

In terms of this multi-development framework, the outcome is reflected on the newly-acquired transformational leadership knowledge and skills of the new SME transformational leader (Lobina, 2008). For entrepreneurs the process of extending and renewal implies providing leadership; providing a vision and developing this vision in others in the enterprise; building and managing entrepreneurial teams; providing appropriate structures in the enterprise to facilitate work; planning for change and acting as a catalyst to ensure progress; identifying clear goals and taking action to achieve these; acquiring appropriate skills to lead the enterprise through the possesses of change; and, gaining access, through networking, to the necessary resources to implement change. The whole process implies the implementation of the concept of transformational leadership by the entrepreneur.

## 2.9 Conceptual Framework

The study linked attitudes to build the hypotheses on attitudinal factors and enterprise development performance. The view of the study is that if these variables are to be a useful predictor of future performance of SMME growth, then SMME Owners, Established Organization Managers, and Policy Makers should be able to recognise these. Since attitude is measured in terms of entrepreneur orientation. GEM studies and the work by Lumpkin and Dess (1996) suggest that attitudes have a direct effect on success of enterprise development activities which can translate to SMME growth in the

construction sector. The literature review demonstrates the importance of attitude variables in SMME growth.

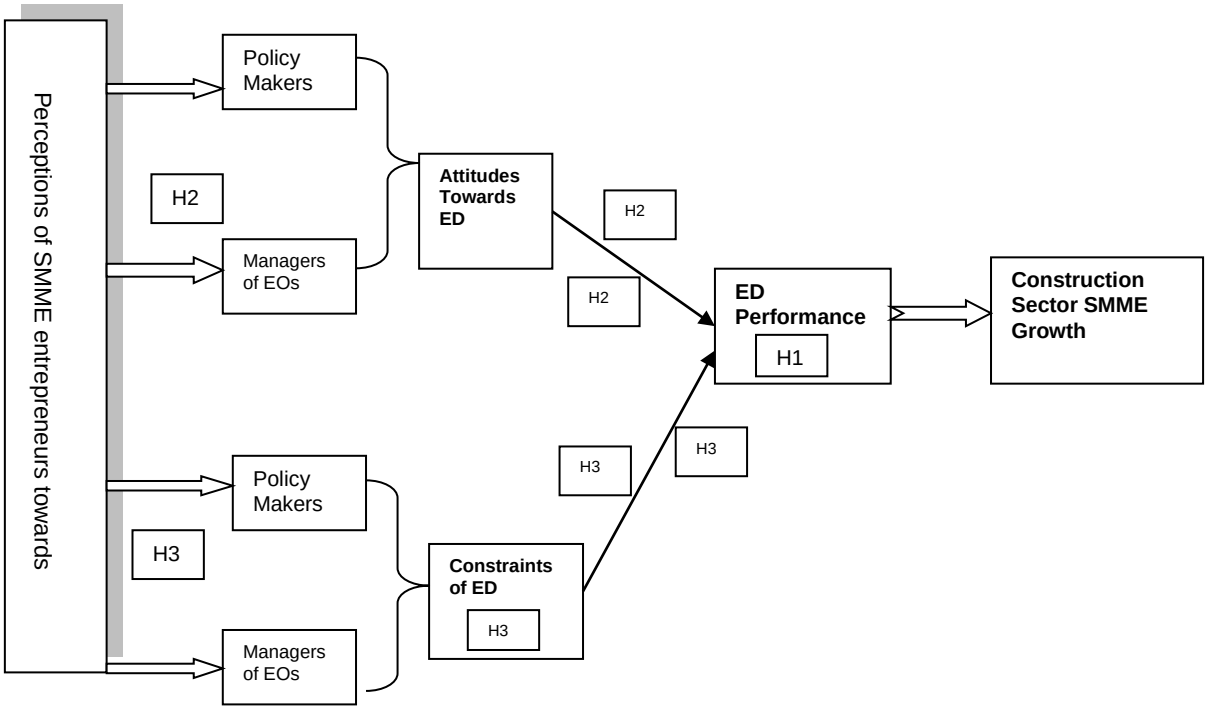


**Figure 2.1 Conceptual Theoretical Model For Study.**
**Source:** *Own (Adapted from research problem)*

## 2.10 Derivation of Hypotheses

This section formulates hypotheses derived from review of extant literature to test whether there exists a statistically significant relationship between the theoretical constructs of attitudes and constraints and enterprise development performance. The resultant hypotheses focus on the theoretical constructs that have been associated with enterprise development as reviewed in literature.

### *2.10.1 Attitudes of Policy Makers and Managers*

Several studies (Timmons 1977, 1994; Viser et al, 2004) have shown the importance of attitudes in the domain of entrepreneurship and transformation. Enterprise development performance is contingent on the positive attitudes of policy-makers and managers in EOs towards ED activities such as management skills transfer, championing of ED, and

enhancement of tendering and technical skills of entrepreneurs in DOs. South African SMMEs in construction sector faces challenges which could obstruct their hardiness and aggressiveness, (Dti, 2005). These challenges are: lack of access to finance; human resources constraints or Skills transfer; limited or inability to adopt technology; lack of information on potential markets and customers; management skills; and tendering skills transfer. These challenges faced by South African SMMEs pose limitations to their ability to graduate from one level to another (Beyene, 2000:130-136).

The Department of Trade and Industry (2009) has formulated key measurement principles for Enterprise development in construction sector which include strengthening the enabling environment, building the capacity through partnership participation, enhancing access to financing by SMMEs, through organisation such as CETA and SEDA who also plays an important role (Esser and Dekker, 2008:3). The strategy adopted for ED is one that can measure by adopting the entrepreneurial orientation dimensions in relation to the environment.

**Hypothesis 1:**

**Null Hypothesis (H0): There is a negative relationship between the attitudes of policy makers and entrepreneurs towards enterprise development and its performance**

**Alternative Hypothesis (H1): There is a positive relationship between the attitudes of policy makers and entrepreneurs towards enterprise development and its performance**

**Hypothesis 2:**

**H2: Transformational leaders have positive effects on the objectives of enterprise development and SMMEs growth performance.**

### 2.10.2 Perceptions on Constraints

A study by Mambula (2002) investigated factors that influence the performance, growth and development of SMMEs in Nigeria with a view to proffering implications for policy. The study was motivated by the fact that the Nigerian government was spending a lot of money obtained through external loans on enterprise development which was yielding poor results. The study methodology involved interviewing policy makers and other key informants and their attitudes revealed that they believed that there were significant constraints to SMME enterprise development in Nigeria. Procedures for obtaining loans were seen by the small business respondents as cumbersome and over-bureaucratic, and collateral demands were seen as excessive. A study by Martin and Root (2012) notes that the transformation process underway in South Africa's construction sector augurs well for emerging contractors since the economy needs a wider base to outsource from. Yet the study notes that emerging contractors, who essentially are the SMMEs, are facing obstacles relating to lack of training and experience and gender-related differences

**H3: Entrepreneurs in DO consider corruption, absence of policies against anti-competitive behaviour and poor set-up link between EOs and DOs as the main constraints to enterprise development performance in construction sector.**

## 2.11 Conclusion of Literature Review

Enterprise development is an important topic for a country like South Africa which is buffeted by a number of developmental challenges epitomised by the 'triple challenge". South Africa's construction sector plays a pivotal role in the economic discourse of the country and has been targeted by government as yardstick for any transformational activities. There have not been many studies on enterprise development in South Africa's construction sector with one study by Martin and Root (2012) focusing largely on the constraints. It is against this background that the study examined the impact of attitudes of policy makers and managers towards enterprise development on the ability of the SMME entrepreneur in the construction sector to access enterprise development. A review of extant literature coupled with prior reasoning identified the key factors of enterprise development upon which the attitudes of managers and policy makers could be measured. The same applied to an understanding of the perceived constraints to ED.

It is on the basis of these constructs that four main hypotheses have been derived for testing as summarised below.

# CHAPTER 3: RESEARCH METHODOLOGY

## 3.1 Introduction

Based on the problem statement and hypothesis outlined in chapter 1, this chapter will cover the research design and research methodology used to test the hypothesis. Firstly, the research methodology and research design are discussed. The sample population are also identified and described. The research instrument, procedure for data collection, data analysis, data interpretation and the limitations of the study are discussed. Lastly, the tests for the hypothesis are presented.

## 3.2 Research approach / paradigm

This study was anchored on quantitative approach in which a questionnaire was used to obtain quantitative data on how SMME owners, EO Managers and policy makers perceive enterprise development performance and its impact on the construction sector.

Data was obtained from a large group of 120 respondents consisting of SMME Owners, EO Managers and policy makers which was then quantified using descriptive statistics. Results obtained were the generalised from the sample to the population of interest. This approach allowed for a description of variables, an examination of the relationships among variables, and a determination of the cause-and-effect interactions between the variables.

## 3.3 Research Design

There are myriad definitions of research design according to Cooper and Schindler (2011) who themselves define a research design as a plan and structure of an enquiry with a sole purpose of obtaining answers to research questions. Such a plan includes the entire value-chain of the research process from research question formulation to data analysis and interpretation. This study examined the perceived relationship between attitudinal factors and enterprise development in the first part of the research.

The research sought to determine how the attitudinal factors of SMME owners, EO Managers, and Policy Makers as independent variables and enterprise development as a

dependent variable are related or linked. This relationship is assumed to have a positive impact on SMME Growth in the Construction Sector. Essentially, the study sought to determine whether there is an association between the independent variables and the dependent variable and establish whether the relationship is explanatory or causal. Consistent with Salkind (2001) the study was descriptive in that it sought to describe the characteristics of existing phenomenon. Attitudinal factors of owners of SMMEs and EO Managers cannot be manipulated easily in the quest to explain the existing phenomenon of enterprise development in the construction sector of South Africa. Both the SMMEs and EOs in the construction sector as represented by owners and managers constituted an appropriate unit of analysis. The study therefore measured the perceptions of SMME owners and EO Managers through a web-based survey. The attitudinal factors were operationalised and measured by a 5-point Likert scale.

## 3.4 Population and sample

### *3.4.1 Population*

For the purposes of this study, the target population comprised owners and managers from both DO and EO entities within the construction sector as defined under the ED Matrix of Code Series 2600 of the Construction Sector Code of Good Practice. These were operational for at least 3 years. The other targeted population consisted of policy makers in all entities which are involved in policy formulation and support to ED activities in the Construction sector.

### *3.4.2 Sample and sampling method*

The research adopts convenience sampling which is a non-probabilistic and non random sample in which a sample is taken on the basis of certain judgements about the population to meet the research objective. It requires researcher confidence on the representativeness of the sample versus the population (Cooper and Schindler, 2011). The population sample for owners of SMMEs was obtained from the Gauteng Propeller Database while that of EO Managers was obtained from the CETA database. A list of 120 companies in Gauteng was randomly obtained from these databases in the form of e-mail addresses which formed the basis for using web-survey as well as the printed version of hard copy which were dropped to relevant respondents. The researcher used

the company is Gauteng because most of the companies head offices Cooper and Schindler (2011) have highlighted the inherent shortcomings of judgemental sampling particularly the risk of bias in the sample which has the potential to distort the study results. However, since the probability of selecting population elements is unknown in all forms of non-probabilistic sampling, it means that all respondents met the sample criteria set for the study.

**Table 3.2: Profile of respondents**

| **Description of respondent type** | **Number to be sampled** |
|---|---|
| Owners of SMMEs in the Construction Sector | 80 |
| Managers of Established Organisations and Other | 25 |
| Policy Makers in Government and Support Agencies | 15 |
| **TOTAL** | **120** |

## 3.4 The research instrument

Quantitative methods employ several techniques for information gathering and data analysis, one of which is the survey method. It is said to be the most popular and common in the business management research that allows the collections of large amount data from a sizable population (Saunders, et.al 1997). The researcher intends to use the survey method because it allows the use of questionnaire and interviews to obtain information from, or about, a defined set of people, or population (Cohen, 2011).

Survey method has many advantages according to (Saunders, 1997). They include the following:

1) It gives more control over the research process.

2) It is economical and allows data from a sizable population.

3) Its use of questionnaire allows for easy comparison.

On the other hand it has the following disadvantages:

1) It is time consuming in designing and piloting the survey.
2) The data collected may not be as wide ranging as those collected by other research methods
3) There is limit to the number of question any questionnaire can contain.

In this study, survey method will be employed through the use of questionnaire in drafting the questions about the attitude of policy makers and entrepreneurs towards enterprise development performance. Also as part of general questions, the respondents were asked to complete generic questions which are aimed at ascertaining how they can best described themselves, the gender of the respondent, the respondents highest qualifications, respondents race, respondents company classifications and the number of employees that respondents' organisation employed. These questions are important in order to understand the how to describe the respondents and whether their organisations is either established organisation or developing organisation.

The questionnaire contains 25 questions with response options anchored on a five point Likert scale ranging from (1= strongly agree to 5= strongly disagree. The five scales give a summary of perceived attitudes and reactions of the respondents to enterprise development performance in the construction sector of South Africa.

A structured questionnaire was used to obtain quantitative data on how SMME owners, Policy Makers and EO Managers perceive enterprise development and its impact on the construction sector. This method of data collection was complemented by five in-depth interviews with Policy Makers which collected qualitative data on their perceptions of enterprise development and its impact in South Africa’s construction sector.

The research instrument was divided into three sections which addressed research questions set out in the study. The research instrument allowed for the use of quantitative responses while in-depth interviews on 5 Policy Makers allowed for qualitative data to be collected in line with the mixed methods approach adopted for the research. This assisted in gathering pertinent qualitative and quantitative data for the research. The research instrument consisted of the following sections:

**Section 1: Demographic information**

The demographic section of the questionnaire measured different variables which included the:

- Designation of the respondent split into owner, manager, policy maker
- Gender of the respondent split into male and female
- Highest educational achievement split into matric, diploma or degree, postgraduate degree and no formal qualification
- Race of the respondent in terms of whether they are Black, Coloured, Indian or White
- Turnover of the entity ranging from below R5 Million for a Small business to over R1 Billion for a large EO
- Number of employees in the organisation ranging from fewer than 5 employees to over 200 employees

**Section 2: Construct of Attitudes towards Enterprise Development**

In Section 2, several statements were used as measurement constructs for the attitudes of SMME owners, Policy Makers and EO Managers. A total of 15 items explored the perceptions of the importance of enterprise development of these key informants.

**Section 3: Construct of Constraints of Enterprise Development**

In an effort to determine the perceived importance of constraints to enterprise development, ten items that are related to this construct were measured.

The questionnaire contains 31 questions with response options anchored on a five-point Likert scale ranging from (5= strongly agree to 1= strongly disagree). The five scales give a summary of sensitivity and reactions to Enterprise Development. The questionnaire will enable us draw a wide conclusion on the topic of research from the research questions.

Although the questions used in this study was designed to measure the attitudes towards enterprise development.

### *3.4.1 Measurement Constructs*

The research questions for the study were structured on the basis of literature on attitudes and enterprise development reviewed in Chapter 2. The same literature was also used to develop a conceptual framework for the study.

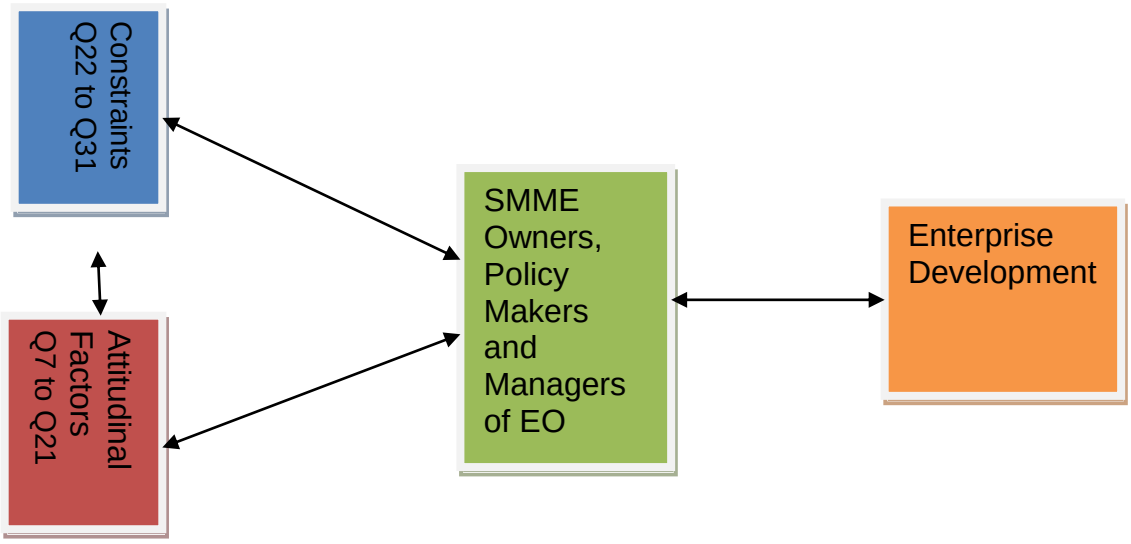


**Figure 3.1: Conceptual Theoretical Model for Study.**
**Source:** *Own (Adapted from research problem)*

The conceptual framework contains all the constructs of the study upon which the structured self-administered questionnaire was developed. All the conceptual framework variables were measured using 5-point Likert scale. A total of 15 items were used to measure the attitudes of owners of SMMEs, Policy Makers and managers of EOs in the construction sector. On the other hand, ten items were used to measure the attitudes of the same respondents towards the important constraints to enterprise development in the construction sector. The resultant conceptual framework is shown in Figure 3.2 and forms the basis for the research propositions of the study pertaining to the relationship of attitudinal factors and enterprise development and the relationship between constraints and enterprise development. The respondents were asked to measure their perceived importance of attitudes and constraints as represented by various items listed in Table 3.2.

**Table 3.2 Conceptual Framework Items**

| VARIABLE | ITEMS UNDER VARIABLE |
|---|---|
| Attitudinal Factors | Attitudes on the following aspects of ED:<br>Q7- awareness of ED<br>Q8- usefulness of ED<br>Q9- importance of management skill transfer<br>Q10- importance of tendering skills transfer<br>Q11- importance of technical skill transfer<br>Q12- importance of compliance regulations<br>Q13- importance of financial loans<br>Q14- importance of contractual knowledge<br>Q15- importance of ED championing<br>Q16- importance of support to SMMEs<br>Q17- advocacy of ED<br>Q18- importance of support to entrepreneurs<br>Q19- importance of effort<br>Q20- ED as key to SMME success<br>Q21- importance of innovation through ED |
| Constraints | Attitudes of respondents towards the following perceived constraints was measured:<br>Q22- finding of existence of ED<br>Q23- relevance of ED is a constraint<br>Q24- cost and access or promptness of |

| | |
|---|---|
| | service delivery<br>Q25- suspicious attitudes<br>Q26- corruption<br>Q27- Collusion<br>Q28- Lack of publicity of ED opportunities<br>Q29- Lack of government incentives on ED<br>Q30- Lack of government policies to fight anti-competitive behaviour<br>Q31- Lack of mechanism to link EOs and DOs in ED. |

## 3.5 Procedure for data collection

The quantitative data under the mixed method approach adopted for the study was collected through a structured self-administered questionnaire which consisted of three sections containing various items meant to address the research problem. The questionnaire was crafted on the basis of the research problem and research questions of the study. The questionnaire was validated prior to its use and was distributed as online survey through Google Forms. Google Forms allows one to design an online questionnaire, distribute it and receive feedback of responses through descriptive statistics. The qualitative data was collected through five in-depth interviews with key informants in government and support service agencies using same questions from the questionnaire. The questions sought to obtain deeper insight into the perceptions of these key informants on enterprise development in South Africa's construction industry.

## 3.6 Data analysis

Data analysis involves conducting statistical operation and testing of data (Barrow, 1999). The research findings were analysed and presented using exploratory data analysis. This allowed for addressing each of the research questions identified in

Chapter 1. Exploratory data analysis has been explained by Cooper and Schindler (2011) as allowing flexibility to the researcher to explore the various patterns emerging from the preliminary analysis of data. Data collected through the structured questionnaire was coded for computer handling and analysed through SPSS Version 21. This allowed for the large volume of data to be reduced to manageable measures consistent with the nomenclature of descriptive statistics.

Data from Section 1 of the structured question pertaining to demographic factors was analysed using charts and frequency tables. The remainder of the data was analysed and also presented using tables, numbers, charts and graphs. This was done with express purpose of answering each research question.

### *3.6.1 Statistics Employed*

Descriptive statistics used in the study included the numbers, tables, charts, and graphs used to describe, organise, summarise, and present raw data. The bar charts represented the frequency distribution of the respondents in percentages. Frequency tables were used to arrange data with counts and percentages and the charts helped with relative comparisons of nominal data (Cooper and Schindler, 2011). The frequency analysis was presented in the form of pie graphs for the categorical variables of gender, age, race, entrepreneurs' qualification and age of company and with bar graphs for those categorical variables with several levels–that is turnover, and number of employees.

As the reliability of a scale is a necessary condition for it to be valid (Cooper and Schindler, 2011), reliability measures were computed for the scales of attitudes towards the importance of the attitudinal factors and constraints for enterprise development. Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of the measurement (Babbie and Mouton, 2001).

The research questions of the study were then examined. Research questions 1, 2 and 3 are all considered to be descriptive as they state that entrepreneurs' attitudes towards the perceived importance of enterprise development. Cooper and Schindler (2011), state

that a descriptive research states the existence of size, form or distribution of some variables.

For each of these research questions in turn, stacked bar graphs were used to show the relative percentages of responses to each item of the scale to which it belonged, categorised as strongly positive for scores of 7 on the 5-point Likert-type scale, positive for scores of 5 and 6, and not positive for scores of 1 to 4. This categorisation was considered appropriate in view of the tendency of respondents to agree or strongly agree with the importance of the various factors considered. This analysis also highlighted the potential areas considered

## 3.7 Internal Validity

Validity can be described as the degree to which observed results, such as the difference between measurements, can be relied upon and not attributed to errors in sampling and measurement. In this study, reliability of the scales was considered in the form of the internal consistency of the scales by computing Cronbach's alpha coefficient, which assesses the extent to which the scale items are inter-correlated or homogeneous (Cooper and Schindler 2011). Cronbach’s alpha values range from 0 to 1 and values between 0.60 and 0.70 are deemed low but acceptable. As Cronbach's alpha values are correlated with the number of items in the scale, the average inter-item correlations were also presented as an additional measure of the internal consistency of the scales, and were checked to ensure that they exceeded the accepted lower limit of 0.30 (Hair et al., 2010).

### *3.7.1 External validity*

External validity refers to the generalisability of research findings and representativeness of the subjects (Archery, 2009). The use of quantitative method (meta-analysis) incorporating descriptive analysis enhanced the external validity of the research. This allowed for generalisations to be made on the research conclusions from this study. As

the research was very simplistic it focused only on attitudes of entrepreneurs and policy makers towards enterprise development performance in construction sector.

### *3.7*.2 Internal validity

Lastly, the internal validity is the confidence that placed in the cause-and effect relationship. According to (Malhotra, and Grover, 1998) internal validity addresses the question what degree does the research design permit us to say the independent variable cause a change in the dependent variable". The researcher did not claim that there is a causal effect between the attitudes such as the importance of management of skills and linking up mechanism of established organisation and developing organisation.

## 3.8 Limitations of the study and ethics

The research study is limited to the construction sector and Gauteng Province alone. The number of businesses which were covered under the survey limited the response rate and invariably limited the data that was obtained. However, this approach of focusing on a specific sector made the empirical data relevant to the sector. Almost every research is accompanied by limitation and difficulty. Following the gathering of the research sample, there was difficulty in getting reliable link and emails addresses of the proposed respondent as well as hardcopy questionnaire. Not all questionnaires were received; such difficulties were characterized with prolonged duration of completing the online survey, insufficient and uncompleted information. Also setting up the online questionnaire took valuable time in test running of its reliability and observation mis-match in the questions. However, in this research the process of ethical codes and conducts were practically observed in dealing with all information's and results from the survey were treated with utmost confidentiality. Due to the fact that the topic of this research is a controversial one in construction sector, and the South Africa as a whole, some difficulties were envisaged. These difficulties were bordered on the nature of the questions asked, the confidence level of the respondents and their anonymity, the way the questionnaires was administered to the respondents and the respondents' attitude to the questions asked. There is bound to be difficulty in asking questions that are biased as stated in the questionnaire. There were restrictions on the sort of questions being asked especially questions so as not to intrude into respondent's privacy. Also, in order

to avoid thought of eventual castigation as a result of answers given, the researcher did not make it optional for respondents to include their full names. The printed version and option of an online survey was employed for its advanced method of sorting the response and it also gives the respondents confidence that the research is for academic purpose. This method assumes that the respondents have access to the internet and are able to read and interpret questions; therefore it would be more convenient and easy access for hard copy handling of questionnaire.

In a study involving human participants, a number of ethical considerations need to be addressed. The crucial issue of participants' informed consent was attended to first. The safety of the participants was not compromised in any way, and the nature of the study was explained to the participants in a consent form attached to the research questionnaires. It was left to the discretion of the participants to decide whether they wished to participate in the research, thus, making this research voluntary. If they so wished, participants were given the choice to withdraw from this research at any point in time.

The second ethical consideration was that since the information requested by the researcher was of a personal nature, participants were assured of confidentiality and anonymity. This was achieved by communicating to the participants that they did not have to put their names on the research interview questionnaire. They were also informed that the date would not be shared with any person or organisation. It was made clear to the participants that all data collected was for research purposes only.

## 3.9 Chapter Conclusion

This Chapter used quantitative technique of research methodology to examine the design of research instruments, sampling and issues of validity and reliability.

Chapter 4 focuses on the results of questionnaires from respondents to understand the phenomenon of attitudes towards enterprise development in the construction sector. The results are discussed and interpreted.

# CHAPTER 4: RESULTS

## 4.1 Introduction

In this chapter, the research findings are presented. Figures and tables are used to present the results so as to enhance interpretation. The chapter begins by presenting results pertaining to the demographic profile of research respondents. The demographic results are presented in the form of frequency measures. The chapter proceeds to present results pertaining to the reliability of scales used using descriptive statistics such as Cronbach alpha coefficients. The chapter concludes by presenting results on the variables of the research also using descriptive statistics such as Pearson coefficient (r). The enterprise performance results are presented in the form of ordinal variables.

The results for the dependent variables for the research as well as those for the independent variable are based on a Likert-type scale. The attitudinal construct, constraints construct and performance were measured by a number of dimensions on the 5-point Likert-type scale. Respondents were assessed in terms of the importance they attached to various items on a scale of 1 to 5 where 1 denoted ‘strongly agree’ and 5 ‘strongly disagree’.

The chapter concludes by testing the research hypotheses through correlation analysis. The relationship between dimensions of the both the attitudinal construct and the constraints construct and enterprise development is measured while that of transformational leadership and enterprise development is also measured.

## 4.2 Demographics profile of respondents

The demographics variables of the respondents analysed were by respondent’s roles, gender, race, education level and number of employees in the organisation

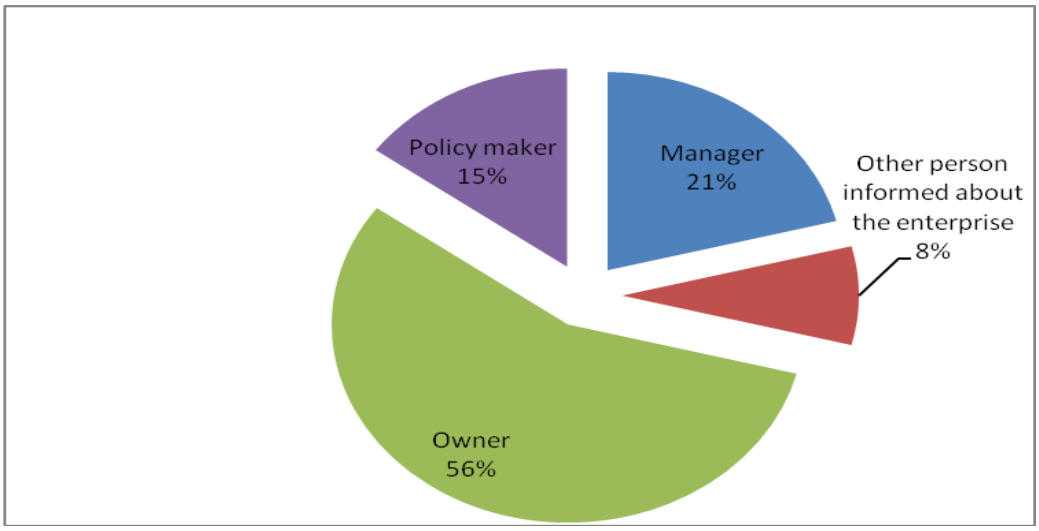


**Figure 4.1: Roles of the respondents (composition: n=61)**

The questionnaire was addressed to the respondents to best describe themselves in terms of their roles to be able to identify the respondents. As shown in Figure 4.1, the results showed that the larger number of respondents was owners of construction companies - 56%, followed by managers - 21%, 15% were policy makers and the remaining 8% were from other persons who informed about enterprise development.

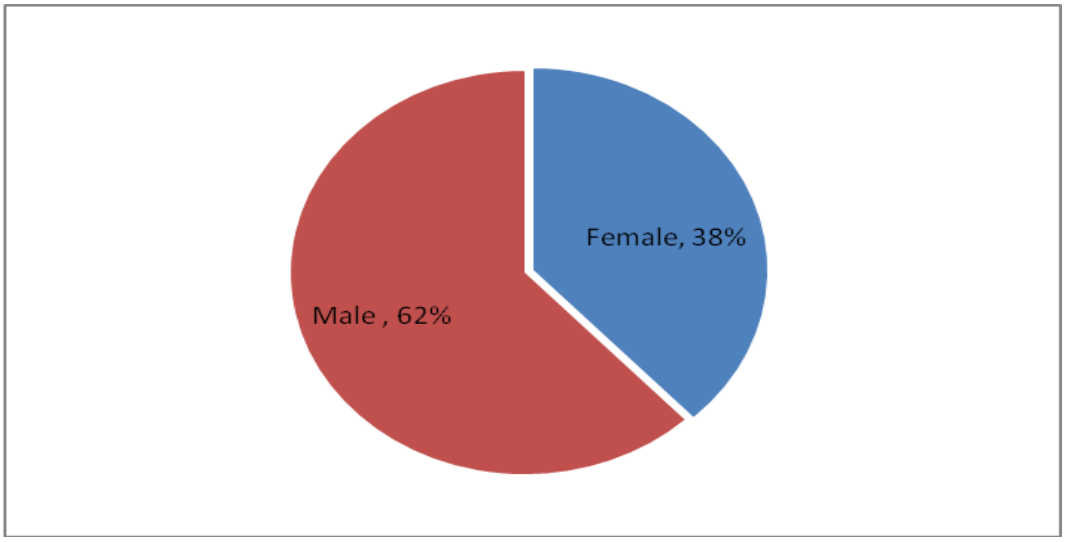


**Figure 4.2: Gender distribution of respondents (composition: n=61)**

Figure 4.2 shows a split of the respondents in terms of gender. The gender split of the sample surveyed was 62% male and 38% female. The questionnaire was addressed to the following respondents: policy makers, SMMEs and established organisation.

**Table 4.1: Cross tabulation between gender and position of respondents (composition = 61)**

Count

| | | I can best describe myself as | | | | |
|---|---|---|---|---|---|---|
| | | Manager | Other person informed about the enterprise | Owner | Policy maker | Total |
| @2.Please indicate your gender | Female | 8 | 3 | 8 | 4 | 23 |
| | Male | 5 | 2 | 26 | 5 | 38 |
| Total | | 13 | 5 | 34 | 9 | 61 |

Table 4.1 indicates that there are more female managers than male managers, moreover it also support the notion of more male owners of SMMEs than females in construction sector. Moreover it shows that there are more male owners of SMMEs than female owners.

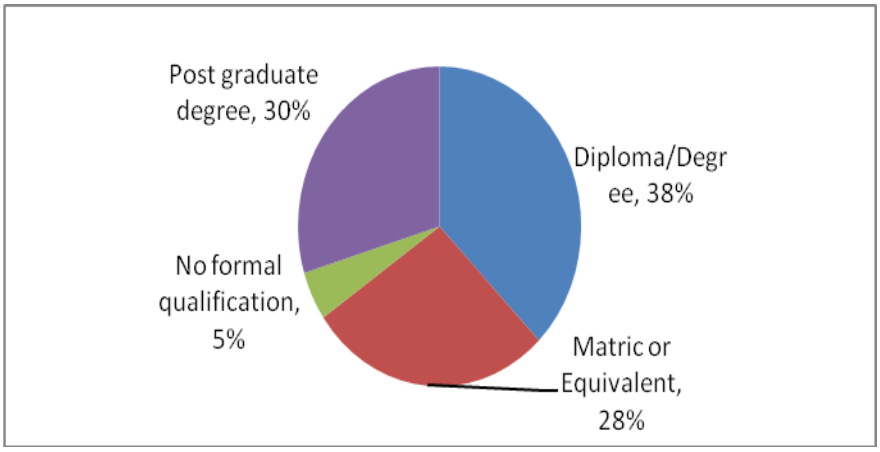


**Figure 4.3: Educational level of the respondents (n=61)**

Figure 4.3 presents education background distribution. The result showed that only 5% of represented of the sample's population had no formal qualification, 30% of the respondents has post graduate degree, 38% of the respondent has diploma/degree and 28% of the respondents has Matric or equivalent qualification.

**Table 4.2: Cross tabulation between education background and position of respondents (composition n= 61)**

| | I can best describe myself as | |
|---|---|---|

| | Manager | Other person informed about enterprise | Owner | Policy Maker | TOTAL |
|---|---|---|---|---|---|
| Q3 Education Highest Qualification | | | | | |
| Diploma | 7 | 3 | 12 | 1 | 23 |
| Matric or Equivalent | 2 | 0 | 15 | 0 | 17 |
| No formal Qualification | 0 | 1 | 2 | 0 | 3 |
| Postgraduate degree | 4 | 1 | 5 | 8 | 18 |
| TOTAL | 13 | 5 | 34 | 9 | 61 |

**Table 4.3: Chi-Square Tests**

| | Value | Df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 24.564[a] | 9 | .003 |
| Likelihood Ratio | 25.870 | 9 | .002 |
| N of Valid Cases | 61 | | |

Table 4.3 is a summary of chi-square tests on the educational qualifications of the respondents and suggests that most policy makers have postgraduate qualifications. Also a larger proportion of managers have diploma or degree. Some of the owners of SMMEs have no formal qualification in construction sector.

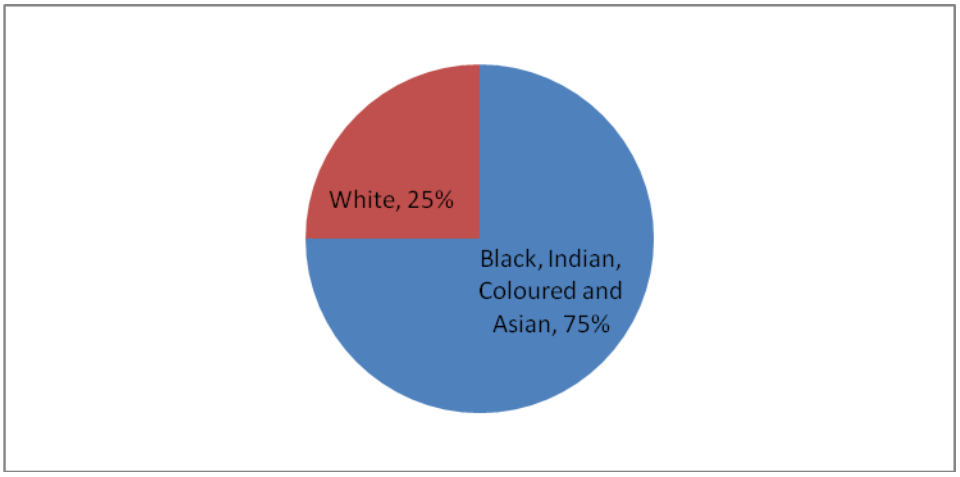


**Figure 4.4: Race distribution of respondents (composition: n=61)**

Figure 4.4 shows a split in terms of race from a total number of all who responded to the

survey. The respondents were represented as 75% Black, Indian, Coloured and Asian and only 25% of the respondents were of white race.

**Table 4.4: Race and position distribution of respondents (composition: n=61)**

| | I can best describe myself as | | | | TOTAL |
|---|---|---|---|---|---|
| | Manager | Other person informed about enterprise | Owner | Policy Maker | |
| Q4. Race of Respondents | | | | | |
| Black, Indian, Colured, and Asian | 11 | 2 | 28 | 5 | 46 |
| White | 2 | 3 | 6 | 4 | 15 |
| TOTAL | 13 | 5 | 34 | 9 | 61 |

**Table** 4.4 is a cross-tabulation of the race of respondents and shows that whites are mostly policy makers while blacks Indian and coloured are mostly owners of SMMEs.

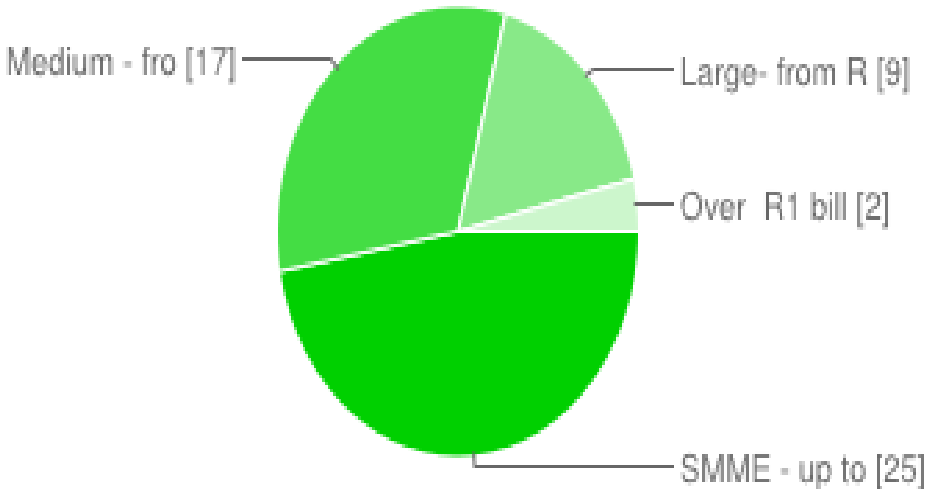


**Figure 4.5: Company Classification of respondents (composition: n=61)**

Figure 4.5 presents respondents' company financial turnover distribution. The groups surveyed are 79% are SMMEs and medium size organisation (developing organisations) and large or established organisation are 21% of the respondent from the sample population.

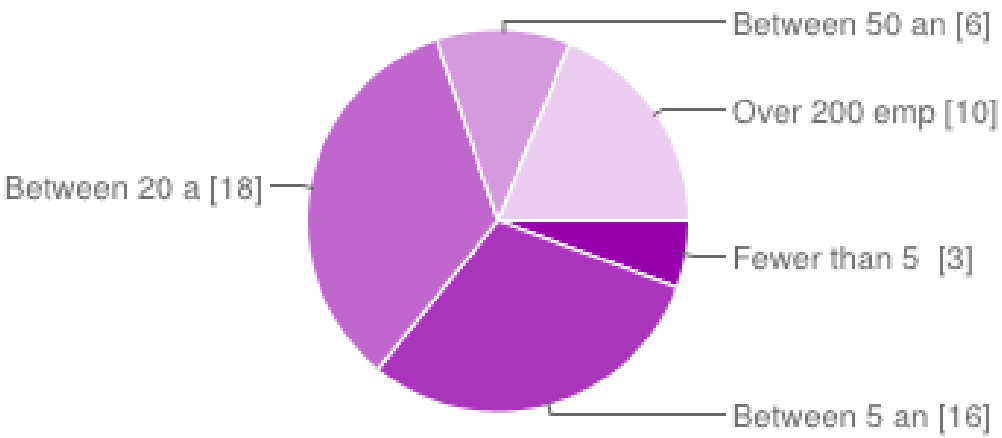


**Figure 4.6: Number of employees employed by organisations distribution of respondents (composition: n=61)**

**Table 4.5 How many people does your enterprise employ?**

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Valid | | | | |
| 1 | 35 | 57.4 | 57.4 | 57.4 |
| 2 | 5 | 8.2 | 8.2 | 65.6 |
| 4 | 18 | 29.5 | 29.5 | 95.1 |
| 5 | 3 | 4.9 | 4.9 | 100.0 |
| TOTAL | | | | |

Both Table 4.5 and Figure 4.6 represent the number of respondents that the respondent organisation employed. 5% of the respondents employed fewer than 5 employees, 30% of the respondents has employee between 5 and 20 in their organisation, 9% of the respondents has between 21 and 50 in their organisation and the remaining 57% has between 50 and 200 employees in their organisation.

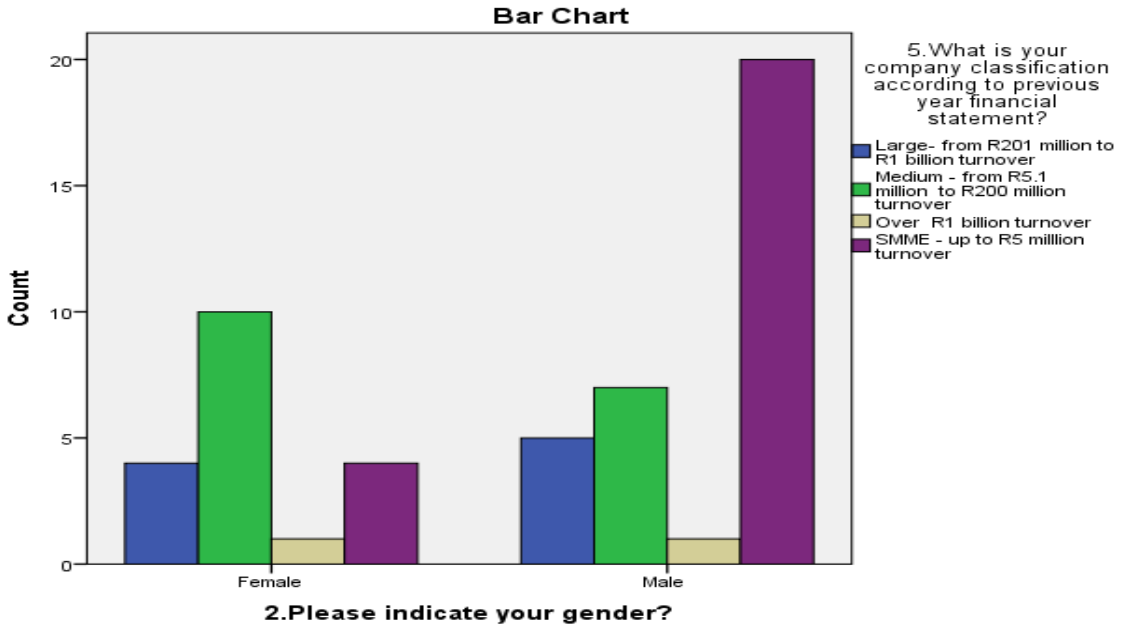


**Figure 4.7 Distribution of Gender in SMMEs**

Figure 4.7 indicates that a larger proportion of males are in companies that are classified as SMME up to R5 million turnover.

A larger proportion of females are in companies that are classified as Medium (from 5.1mil to R200 million). This supports the previous set that indicate that females are more associated with companies that are creating more jobs while males are associated with companies that are creating less jobs.

## 4.3 Scales of reliabilities

Subsequent to analysing the responses of the respondents on the scales of attitudes and constraints of enterprise development, the scales was evaluated in terms of reliabilities.

The internal consistency reliabilities were evaluated using Cronbach's average inter-item correlation. The result show satisfactory to good scale reliability as the values for Cronbach's alpha exceeded 0.5, as well as the testing of relationship between the set of variables.

**Table 4.6 Showing Cronbach Alpha Coefficients**

| Variables | Pointer | Cronbach Alpha Co-efficient |
|---|---|---|

| | | |
|---|---|---|
| **Attitudes:** | | |
| Q8 I generally consider ED to be useful | 5 point | .873 |
| Q11.I believe technical skills transfer with emphasis on innovation is important for enterprise development | 5 point | .880 |
| Q20.ED is important to success of SMMEs | 5 point | .872 |
| **Constraints:** | | |
| Q26. Corruption | 5 point | .872 |
| Q30. Absence of laws against anti-competitive behaviour | 5 point | .872 |
| Q31. Lack of set-up mechanism | 5 point | .882 |
| **Enterprise Development Performance:** | | |
| Q22. ED is key to innovation, growth and success of SMMEs in the construction sector | 5 point | .880 |

**Source:** SPSS output file.

## 4.4 Results for Hypothesis 1

HO: There is a negative relationship between the attitudes of policy makers and entrepreneurs towards enterprise development support and its performance

H1: There is a positive relationship between the attitudes of policy makers and entrepreneurs towards enterprise development support and its performance

Hypothesis 1 was tested by measuring the strength of the linear association between attitudes towards enterprise development and enterprise development performance. Attitudes toward enterprise development are represented by three dimensions: perceived *usefulness* of enterprise development; perceived *usefulness* of enterprise development towards small business success; and perceived *usefulness* of technical skills transfer as a source of innovation. On the other hand, enterprise development performance is represented by one dimension: perceived *impact* of enterprise development on success and growth of SMMEs in the construction sector. The resultant correlation model is shown in Table 4.8

**Table 4.7 Correlation Analysis Summary for Dependent Variable: Attitudes towards Enterprise Development**

| | | Q22. ED is key to innovation, growth and success of SMMEs in the construction sector |
|---|---|---|
| Q8.I generally consider enterprise development to very useful | Pearson Correlation | .043 |
| | Sig. (2-tailed) | .741 |
| | N | 61 |
| Q11.Technical skills transfer with emphasis on innovation is important | Pearson Correlation | .068 |
| | Sig. (2-tailed) | .603 |
| | N | 61 |
| Q20.ED is key to small business success | Pearson Correlation | .043 |
| | Sig. (2-tailed) | .741 |
| | N | 61 |

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

In terms of significance these results imply that there is very low strength of correlation (r= 0.043, p<0.01) between perceived usefulness of enterprise development and its perceived impact on the success and growth of SMMEs than there is between the latter and perceived usefulness of technical skills transfer (r=0.068, p<0.01) these results do not show statistically significance.

Based on these results, the null hypothesis (H0), which states that there is a negative relationship between the attitudes of policy makers and entrepreneurs towards enterprise development support and its performance, should thus be accepted.

## 4.5 Results for Hypothesis 2

H0: Entrepreneurs in DOs do not consider corruption, absence of policies against anti-competitive behaviour and set-up link between EOs and DOs as constraints to enterprise development performance

H1: Entrepreneurs in DOs consider corruption, absence of policies against anti-competitive behaviour and set-up link between EOs and DOs as constraints to enterprise development performance

Hypothesis 2 was tested by measuring the strength of the linear association between constraints of enterprise development and enterprise development performance. Constraints of enterprise development are represented by three dimensions: perceived *effects* corruption; perceived effects of policies against anti-competitive behaviour; and perceived effects of a set-up mechanism linking EOs and DOs. On the other hand, enterprise development performance is represented by one dimension: perceived *impact* of enterprise development on innovativeness of the construction sector. The resultant correlation model is shown in Table 4.9

**Table 4.8 Correlation Analysis Summary for Dependent Variable: Constraints of Enterprise Development**

| | | Q22. ED is key to innovation, growth and success of SMMEs in the construction sector |
|---|---|---|
| Q26.Corruption as a constraint | Pearson Correlation | 1.000** |
| | Sig. (2-tailed) | 0.000 |
| | N | 61 |
| Q30.Absence of policies against anti-competitive behaviour | Pearson Correlation | 1.000** |
| | Sig. (2-tailed) | 0.000 |
| | N | 61 |
| Q31.Lack of set up mechanisms to link up E0s and D0s | Pearson Correlation | -.083 |
| | Sig. (2-tailed) | .522 |
| | N | 61 |

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

These results imply that there is a perfect linear association between perceived effects certain constraints of enterprise development ($r=1.000$, $p<0.01$ for corruption; and $r=1.000$, $p<0.01$ for absence of policies against anti-competitive behaviour) and the innovativeness of the construction sector than there is between the latter and perceived effects of a set-up mechanisms to link EOs and DOs. ($r= -0.522$, $p<0.01$) which is negative.

Based on these results, the null hypothesis (H0), which states that entrepreneurs in DOs do not consider corruption, absence of policies against anti-competitive behaviour and

set-up link between EOs and DOs as constraints to enterprise development performance should not be rejected because lack of set up mechanisms to link up EOs and DOs is not significant.

## 4.6 Results for Hypothesis 3

Ho: Transformational leaders have a negative effect on the objectives of enterprise development performance in terms of innovation, success and growth of SMMEs

H1: Transformational leaders have a positive effect on the objectives of enterprise development and SMMEs growth performance.

Hypothesis 3 was tested by measuring the strength of the linear association between transformational leaders and enterprise development performance. Transformational leaders are represented by the dimension: inspirational leaders while enterprise development performance is represented by its perceived impact on innovation within the construction sector. The resultant correlation model is shown in Table 4.10

**Table 4.9 Correlation Analysis Summary for Independent Variable: Enterprise Development Performance**

| | | Q22. ED is key to innovation, growth and success of SMMEs in the construction sector |
|---|---|---|
| Q23.Lack of inspirational leaders to support SMMEs | Pearson Correlation | .068 |
| | Sig. (2-tailed) | .603 |
| | N | 61 |

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

These results imply that there is no significance and a very low strength of correlation between transformational leadership ($r=0.068$, $p<0.01$) and the innovativeness, growth and success of the construction sector.

Based on these results, the null hypothesis (H0), which states that transformational leaders have a negative effect on the objectives of enterprise development and SMMEs growth performance, should not be rejected as there is no strong linear relationship based on the results of the data analysis.

## 4.7 Summary of Results

The following aspects were addressed as part of the presentation of the results:

- Descriptive statistics on the demographic profile of respondents;
- The scale reliability using Cronbach alpha co-efficients, and
- Correlation analysis to measure the strength of linear association between the dependent variables (attitudes towards enterprise development and constraints) and the independent variable (enterprise development performance)

# CHAPTER 5: DISCUSSION OF RESULTS

## 5.1 Introduction

This chapter discusses the results presented in the previous chapter. The detailed discussion of results will entail a comparison of the results with theoretical statements made in the literature review section of the dissertation.

Firstly the demographic results are discussed and then followed by the discussion on the association between attitudes and enterprise development performance, constraints and enterprise development performance, and concluded with a discussion of the association between transformational leadership and enterprise development performance.

## 5.2 Demographic Profile of Respondents

The study results showed that 55% of the respondents described themselves as owners, 19% managers, 17% policy makers and 9% were persons involved with enterprise development who perceived attitude towards enterprise development as important in construction sector thereby validating its target population.

There is a split of the respondents in terms of gender which represent a number of male and female respondents. The gender split of the sample surveyed was 64% male and 34% female. It shows a preponderance of male patriarchy in the construction sector as highlighted by literature (dti, 2008). Most of the respondents were black and represented 77% of the sample surveyed. There was a fair representation of education among the respondents as at least 94% of them had some form of a qualification in the such as certificate/diploma or postgraduate degree and this is consistent with literature findings by GEM (2012) .

In terms of the age of SMMEs, results indicated that 47% of SMMEs were “young” enterprises having been in operation for between one and three years. In terms of turnover, the research results revealed that 32% of the SMMEs had business turnover from R1 million and that is justified by the fact that these SMMEs had been operational

for a period of one to three years. In terms of the number of employees employed by SMMEs, results show that 70% were employed by Developing Organisation.

## 5.3 Discussion Pertaining to Hypothesis 1

***Hypothesis 1:*** *There is a positive relationship between the attitudes of policy makers and entrepreneurs towards enterprise development support and its performance*

An analysis of hypothesis 1 resulted in key points for discussion. Correlation analysis with a two-tailed p value which was determined to be $p<0.01$ shows that there is no significant and strong linear relationship among the variables measured and this resulted in not rejection of the null hypothesis. As indicated in Table 4.8, the overall model is not significant suggesting that attitudinal factors are not a significant predictor of enterprise development performance. The results of Hypothesis 1 suggest that positive attitudes amongst policy makers towards certain aspects of enterprise development and enterprise development in general engender the potential for enterprise development to unlock innovation, success and growth of the SMMEs in the construction sector.

This is consistent with literature (Yang, Lim, and Toshiki, 2006) who established that there is a strong relationship between attitudes of government officials on the success of the enterprise development in China although this position was not disaggregated according to industry type. This research explored this relationship on the basis of the construction sector of South Africa and the results cannot be generalised to other sectors.

The attitudinal construct is highly dimensional as demonstrated by various results per each variable item. For instance while there is very weak relationship ($r= 0.043$, $p<0.01$) between perceived usefulness of enterprise development and its perceived impact on the success and growth of SMMEs than there is between the latter and perceived usefulness of technical skills transfer ($r=0.068$, $p<0.01$) which is not statistically significant. This suggests that a programmatic approach to enterprise development is required in the construction sector. Such an approach focuses on addressing identified needs and allocating resources towards rectification of such needs. In this instance,

technical skills transfer is considered to be a critical programme under construction sector enterprise development. This is consistent with findings cited in literature review (Magwenya, 2009; CIDB, 2009).

In concluding this discussion on Hypothesis 1, the correlation analysis has revealed that the three dimensions of attitudes: perceived *usefulness* of enterprise development; perceived *usefulness* of enterprise development towards small business success; and perceived *usefulness* of technical skills transfer as a source of innovation has low positive relationship to enterprise development, this is consistent with literature reviewed (Timmons 1977, 1994; Dess and Lumpkin, 1996; Viser et al, 2004; Martin and Root, 2012)

## 5.4 Discussion of Hypothesis 2

***Hypothesis 2:*** *Entrepreneurs in DOs consider differently the importance of corruption, absence of policies against anti-competitive behaviour and set-up link between EOs and DOs as constraints to enterprise development performance*

An analysis of hypothesis 2 resulted in key points for discussion. Correlation analysis resulted in not rejection of the null hypothesis which stated that entrepreneurs in DOs do not consider corruption, absence of policies against anti-competitive behaviour and set-up link between EOs and DOs as constraints to enterprise development performance. As indicated in Table 4.9, the overall model is not significant suggesting that constraints to enterprise development does not have a negative impact on enterprise development performance.

These results imply that there is no linear association between perceived effects of corruption and absence of policies against anti-competitive behaviour as constraints of enterprise development ($r=1.000$, $p<0.01$) and the innovativeness, success and growth of the construction sector than there is between the latter and perceived effects of a set-up mechanisms to link EOs and DOs ($r= -0.522$, $p<0.01$) which is negative. Based on these results, the null hypothesis (H0), which states that entrepreneurs in DOs do not consider corruption, absence of policies against anti-competitive behaviour and set-up

link between EOs and DOs as constraints to enterprise development performance, was not rejected.

The results are inconsistent with those of Bowen, Edwards and Cattell (2012) who identified corruption as a major obstacle in transforming the construction sector through enterprise development. Their survey questionnaire revealed that corruption is deemed widespread in South Africa's construction industry. The corruption is a result of several factors ranging from skills shortage, absence of deterrents and sanctions, poor ethical standards. Their study noted that the corruption cuts across the supply chain of the industry and manifests in collusion, fronting, contract administration particularly in appointments and tenders.

## 5.5 Discussion of Hypothesis 3

***Hypothesis 3:*** *Transformational leaders have a positive effect on the objectives of enterprise development and SMMEs growth performance.*

Correlation analysis on Hypothesis 3 shows that there is very low strength of association between transformational leadership ($r=0.068$, $p<0.01$) and the innovativeness, growth and success of the construction sector. This allows the rejection of the null hypothesis.

The role of transformational leadership within the discourse of enterprise development was well-articulated in Chapter 2 where evidence was led on the importance of role models in championing enterprise development (Boocock et al., 1999; Irwin, 2000; Rae and Carswell, 2001). Since transformational leadership is critical to enterprise development performance, strategies have to be put in place to develop transformational leaders at the micro, meso and macro levels of the construction sector.

At the macro-level, there is scope to promote transformational leadership amongst entrepreneurs of SMMEs on the basis of focused government initiatives such as interventionist policies aimed at high-growth entrepreneurs (Irwin, 2000) and through formal education opportunities for SMME entrepreneurs in institutions of higher learning (Foxcroft et al., 2002; Foxcroft, Wood, Kew, Herrington and Segal, 2002). At the meso or intermediate level, transformational leadership in entrepreneurs of SMMEs can be enhanced through networks which provide support and advice (Perren and Grant, 2001);

partnerships with existing or established organisations which enhances synergy (Boocock et al., 2000); membership of external organisations which allows them to learn trends and developments in their industry (Thomson and Gray, 1999); sharing of experiences through informal forums (Perren and Grant, 2001), and through continuous skills development (Boocock et al., 1999). Most of the suggestions covered under the meso-level fall within the ambit of enterprise development as conceptualised in the Charter for the Construction industry in South Africa.

At the micro level, the acquisition of transformational leadership by entrepreneurs of SMMEs would entail adoption of a professional approach to how they approach their businesses. This may involve learning from success stories, enhancing personal motivation and leveraging on the expertise of business consultants (Boocock et al., 1999; Irwin, 2000; Rae and Carswell, 2001).

## 5.6 Conclusion

This chapter examined the overall results of the research study. The demographic results were analysed in terms of role of the respondent, gender, race, education level, the company's size in revenue and number of employees. The demographic results are consistent with literature reviewed in Chapter 2. In discussing the research results, conclusive remarks cannot be made as to whether attitudinal factors are the critical variable on enterprise development in South Africa since this study only looked at one sector of the economy. It is possible that a similar study in a different sector may arrive at totally different findings.

Correlation analysis was used to measure the strength of association between the two constructs of attitudes and constraints on one hand (as dependent variables) and enterprise development performance on the other hand (as independent variable). The findings in this study indicated that positive attitudes towards enterprise development from policy makers, established organisation and entrepreneurs are not important for the SMMEs growth in the construction sector. One of the key to success of SMMEs is through enterprise development initiative. The results also showed there are many factors that entrepreneurs find important such as technical skills transfer, and

contribution of enterprise development to SMMEs success. Moreover the main constraints to enterprise development have not been established to be corruption and absence of policies to fight anti-competitive behaviour.

The overall findings of the study can be summarised as follows:

Attitudinal factors have a very low linear association with enterprise development performance in the construction sector of South Africa. This means that positive attitudes by policy makers and decision-makers in the sector would not engender positive outcomes for the sector in terms of innovation and success and growth of SMMEs

There is a positive low relationship between the attitudes of policy makers and entrepreneurs towards enterprise development support and its performance

Entrepreneurs in DOs do not consider corruption, absence of policies against anti-competitive behaviour and set-up link between EOs and DOs as constraints to enterprise development performance; and

Transformational leaders have a positive effect on the objectives of enterprise development and SMMEs growth performance.

# CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

## 6.1 Introduction

This chapter summarises the research findings and proceeds to proffer recommendations for policy makers and entrepreneurs in the construction sector of South Africa. It concludes by suggesting areas for further research on the phenomena.

## 6.2 Conclusions of Study

The research study findings allowed for a number of conclusions to be made. Firstly, the country of South Africa is confronted by the historical challenges of poverty, inequalities, and unemployment. The government believes that transformation of important economic sectors like construction can go a long way in achieving this transformation which ultimately leads to solving the historical triple challenges already noted.

Enterprise development is a strategy through which transformation of the construction sector can be achieved as it is anchored on promoting historically disadvantaged 'developing organisations' (the black-owned SMMEs) in the sector by the 'established organisations' (the large and white-owned construction firms).

It is concluded from the study findings that success of enterprise development does not hinge on the positive attitudes of policy-makers, entrepreneurs and managers towards enterprise development and on addressing perceived constraints, notably corruption, to enterprise development.

Positive attitudes of policy-makers towards the three attitudinal construct dimensions of perceived *usefulness* of enterprise development towards small business success and technical skills transfer as a source of innovation are positively related to enterprise development have been established to have no statistically significant impact on enterprise development performance in the construction sector.

At the same time it is concluded from the study findings that corruption and the absence of laws which deal with ant-competitive behaviour in the sector does not negatively affect

enterprise development performance with transformational leadership shown to have moderating effects on the enterprise development performance.

The overarching conclusion is that the success of enterprise development in the construction sector does not hinge on positive attitudes by all stakeholders towards its efficacy as a strategic tool to accomplish transformation and a sustained effort by government to stem corruption through anti-competitive laws because it has been identified as a major barrier to enterprise development performance. The whole discourse is predicated on developing a culture of transformational leadership at the micro, meso and macro-economic levels.

## 6.3 Recommendations

The study conclusions give rise to a number of considerations which must be factored by policy makers and other stakeholders when strengthening enterprise development as a tool for transformation in the key construction sector of South Africa.

The first consideration is that attitudes towards enterprise development are dimensional with policy-makers and other respondents showing differences in attitudes towards specific attributes of enterprise development. It is therefore important to identify those attributes of enterprise development which engender positive attitudes and build on them as part of focused efforts to improve enterprise development performance in the sector. Currently, there is evidence that policy-makers rate highly the enterprise development attribute of technical skills transfer. This suggests that more resources need to be channelled towards technical skills transfer in the construction sector as this is critical to the accelerated development of developing organisations (black-owned SMMEs) in the sector.

A second consideration is that stakeholders view with marked degree of similarity what they consider to be the key constraints to enterprise development. This convergence of views on an issue which has been established to have negative effects on enterprise development performance needs to galvanise government to come up with anti-

corruption and anti-collusion laws and policies as a matter of urgency. According to Bowen, Edwards and Cattell (2012) corruption is a major obstacle in transforming the construction sector through enterprise development. Their survey questionnaire revealed that corruption is deemed widespread in South Africa's construction industry and is a result of several factors ranging from skills shortage, absence of deterrents and sanctions, poor ethical standards. Their study noted that the corruption cuts across the supply chain of the industry and manifests in collusion, fronting, contract administration particularly in appointments and tenders.

A third consideration is that transformational leadership has moderating effects on enterprise development performance. A goal of enterprise development is to achieve transformation of the construction sector. One cannot therefore overlook the importance of a culture of transformational leadership in the discourse of enterprise development. Current efforts at deepening enterprise development in the construction sector needs to be underpinned by commitment to developing transformational leaders at the micro, meso and macro levels of the construction sector value-chain.

## 6.4 Recommendation for further research

Further research in this area should use larger samples taking from different economic sectors of South Africa. Future studies in this area will also have to ensure that the measurement instruments are clear with a narrow focus, given the fact that entrepreneurship is such a broad concept. A variety of different research methods could be used to test the theory directly, including a telephone interview, case studies, comparative studies and simulation studies

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## APPENDIX 1

### Enterprise Development in the construction industry of South Africa

This research is being carried out by a researcher from Wits Business School at the University of Witwatersrand and to study the present status of enterprise development in South Africa with special focus on the construction sector. I am interested in finding out the nature of existing interactions, Perception and constraints for developing sustainable enterprise development interactions. All information provided will be kept anonymous and confidential. Only the researcher will see your questionnaire. This questionnaire will take you approximately 15 minutes to complete. Please note that your participation in this survey is voluntary and you can withdraw anytime without penalty;and the information will be treated confidentially and company's names will not be mentioned in the report.Should you have any questions, please feel free to contact me Akiko Mellinah Jogunola at:akikongolomi@gmail.com

### Section 1: Demographic Information

1. I can best describe myself as:

- Owner
- Manager
- Policy maker
- Other person informed about the enterprise

**2.Please indicate your gender?**

- Male
- Female

**3.Education: Highest qualification**

- Matric or Equivalent
- Diploma/Degree
- Post graduate degree
- No formal qualification

**4.Race**

- Black, Indian, Coloured and Asian
- White

**5.What is your company classification according to previous year financial statement?**

- SMME - up to R5 milllion turnover

- Medium - from R5.1 million  to R200 million turnover
- Large- from R201 million to R1 billion turnover
- Over  R1 billion turnover

**6.How many people does your enterprise employ?**

- Fewer than 5 employees
- Between 5 and 20 employees
- Between 20 and 50 employees
- Between 50 and 200 employees
- Over 200 employees

**7."In our enterprise, we are aware of enterprise development in the construction sector"**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly Disagree, to 5,Strongly agree,. | Strongly Disagree | | | | | Strongly agree |

**8."I generally consider enterprise development to be very useful?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**9.1 believe management skills transfer in Enterprise Development is important?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**10.I believe tendering skills transfer is important for enterprise development?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**11. I believe technical skills transfer with emphasis on innovation is important?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**12.I believe that compliance to enterprise development regulation is important?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**13.I believe that assistance through financial loan vital for enterprise development?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**14.I believe that contractual knowledge transfer is vital for enterprise development?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| | Strongly disagree | | | | | Strongly |

| | | | | | | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | | | | | | agree |

**15.I believe championing of enterprise development is important?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**16.I believe smaller businesses need enterprise development support to succeed?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**17.I have advocated for smaller firm enterprise development support in the past?**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**18.To be successful, I believe entrepreneurs need support?**

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| | Strongly disagree | | | | | |
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**19.I make conscientious effort to get most out of my business resources.**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| | Strongly disagree | | | | | |
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**20."I believe one of the key to small business success is through enterprise development".**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| | Strongly disagree | | | | | |
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**21."I believe our company can innovate through enterprise development policies".**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| | Strongly disagree | | | | | |
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**22."I believe the constraints to enterprise development is finding out about the existence of enterprise development".**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Strongly disagree | ○ | ○ | ○ | ○ | ○ | Strongly agree |

| | |
|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | |

**23."I believe there is  Lack of inspirational leaders to support SMMEs.**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**24."I believe constraints of enterprise development is cost and access or the promptness of service delivery".**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly didagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**25."I believe that the main constraints to enterprise development in the construction sector can be suspicion attitude".**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | Strongly disagree | | | | | Strongly agree |

**26." I believe the main constraints of enterprise development in the construction sector can be hampered by corruption attitude".**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Select a value from a range of 1,Strongly disagree, | Strongly disagree | | | | | Strongly agree |

| | | | | | | |
|---|---|---|---|---|---|---|
| to 5,Strongly agree,. | | | | | | |

**27. I believe that the main constraints of enterprise development in the construction sector can be collusion attitudes.**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Strongly disagree<br>Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**28. I believe government has effective policies in publicizing opportunities for enterprise development in construction sector**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Strongly disagree<br>Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**29.I believe there is increasing government incentives to established organisations supporting enterprise development**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Strongly disagree<br>Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**30. I believe government policy in ensuring punishment of anti-competitive behavior which negates enterprise development is effective.**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Strongly disagree<br>Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

**31.I believe there is set-up mechanisms to link up established organisations and developing organisations in the construction sector**

| | 1 | 2 | 3 | 4 | 5 | |
|---|---|---|---|---|---|---|
| Strongly disagree | | | | | | |
| Select a value from a range of 1,Strongly disagree, to 5,Strongly agree,. | ○ | ○ | ○ | ○ | ○ | Strongly agree |

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## APPENDIX 2

**Cover Letter**