Evaluating Effectiveness of the SME Policy Framework in the South African Petroleum Distribution Sector

Victor Sibiya

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ABSTRACT

Governments throughout the world have realised the significance of small businesses in the economic and social welfare of the nation. Even though the magnitude and nature of the contribution of small businesses continues to be debated, governments' awareness of the role of new enterprises has grown appreciably. In most advanced nations, the government has come out with very progressive policies encouraging new enterprises. In many developing and under-developed nations too, there is a lot of policy level support for new enterprises. In recognition of the importance of small and medium enterprise (SME) sector, the South African government has continued to design and implement a number of policies and programmes supportive to the development of the sector.

This research evaluates the effectiveness of the SME policy framework in the Petroleum Distribution Sector in South Africa. It specifically evaluates the broad SME policies delivered by the "main SME department of government", the sector specific SME policies delivered by the "sector department of government" and other policies that influence the success and failure of SMEs but are not controlled by either departments. Policies which are not delivered by the main or sector specific SME departments may be more influential than the policies delivered by the main or sector specific SME policies. Two examples of such policies are:

- Public policies that target SMEs but where the policy is formulated and delivered by an organisation within government other than the main SME department of government.
- Policies which influence SMEs that are delivered by departments of government that do not view themselves as having SMEs as their prime, or often even partial focus.

It is important for policy makers responsible for SME issues to understand the impact of such mainstream policies on SMEs to help them in their role of "SME-proofing" of mainstream government polices and in influencing decisions on such policies so that they take into account the SME impacts. Evaluation assists policy makers to assess the relative effectiveness of these policies and programmes.

DECLARATION

I, Victor Sibiya declare that this research report is my own, unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other University.

Victor Sibiya

Signed at Johannesburg

On the 31 March 2011

DEDICATION

To my son Nhluri – as you grow, endeavour to acquire knowledge

ACKNOWLEDGEMENTS

I would like to acknowledge the people who played an important role during my studies. In particular, those who assisted me to finish this research.

- My family, for believing in me.
- Mom and Dad, if it was not for you I would not be here.
- My brothers and sister, you mean a lot to me.
- My former Boss and Wits Alumni, Nhlanhla Gumede for making me do an MBA at Wits.
- My friends and colleagues for support and encouragement.
- My classmates, for all we shared.
- The SMEs who sacrificed their time to share their feelings.
- Government officials who assisted me.
- My supervisor, Prof Gillian Marcelle for your unfailing support, guidance and encouragement.
- To God, be all the glory.

In the beginning, God created the heaven and the earth. And God saw everything that He made. "Behold", God said, "it is very good". And the evening and the morning were the sixth day. And on the seventh day God rested from all His work. His archangel came then unto Him asking, "God, how do you know that what you have created is very good? What are your criteria? On what data do you base your judgement? Just exactly what results were you expecting to attain? And aren't you a little close to the situation to make a fair and unbiased evaluation?"

God thought about these questions all that day and His rest was greatly disturbed. On the eighth day God said, "Lucifer, go to hell".

Thus was evaluation born in a blaze of glory...

From Halcolm's The Real Story of Paradise Lost.

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GLOSSARY

DME	Department of Minerals and Energy (Split into DOE and DMR)
DOE	Department of Energy
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
SME	Small and Medium Enterprises
PPAA	Petroleum Products Amendment Act
LPG	Liquefied Petroleum Gas

CHAPTER ONE: INTRODUCTION

1.1 Purpose of the study

The purpose of this study is to evaluate the effectiveness of the Small and Medium-sized Enterprise (SME) policy framework in South Africa. In particular, the research assesses methodologies that are widely recognised and used in evaluating public policy, to evaluate effectiveness of SME policy framework in the petroleum distribution or wholesale sector in South Africa.

1.2 Context of the Study

1.2.1 Introduction

This research was conducted in the sixteenth year of South Africa's democratic dispensation. At the time of submission, South Africa celebrates its seventeenth democratic year. During the time of research, the country was experiencing a wave of service delivery protests on the one hand, and growing criticisms of government Black Economic Empowerment policies on the other. Exacerbating the situation was the impact of the global economic downturn caused by the financial crisis, which has seen unemployment rise as a result of retrenchments across a number of sectors.

This environment thus presented an exciting opportunity for this research given the role that small businesses can play in addressing some social ills, and the ability of SMEs to be used as a vehicle for transforming the economy. This section sets the context of the research by providing a historical perspective on the SME sector, the petroleum distribution sector and its major players in South Africa. This historical context is discussed in Section 1.2.2 to 1.2.4 respectively.

1.2.2 SME in South Africa

Since the dawn of democracy in 1994, South Africa has been faced with the challenges of re-integration into world markets as a global economy, while at the same time positioning itself to realise the high expectations of its populace regarding a successful transition towards a more democratic order. To achieve the objectives of economic growth through competitiveness on the one end of the scale and, on the opposite end, employment generation and income redistribution as a result of this growth, South Africa's small business economy has been actively promoted since 1995 (Berry, von Blottnitz, Cassim, Kesper, Rajaratnam and van Seventer 2002).

The role of small businesses is generally recognized in promoting a better quality of life and drawing the historically disadvantaged majority of the population into the mainstream national economy (Mollentz 2002). It was hoped that this would go a long way towards addressing the uneven distribution of economic resources and opportunities that were institutionalized under apartheid (Bezuidenhout, Lutchman, Modisha, Sanchez and Southall 2005).

In the South African context, the government has, to date, shown willingness and commitment in taking drastic steps to transform apartheid legislation to the creation of a new policy environment that is aimed at promoting the empowerment of SME. The introduction of the 1998 Energy White Paper, the Department of Trade and Industry's White Paper on National Strategy for Development and Promotion of SMME, and the Petroleum Industry Charter, attest to this view. However, there has not been an evaluation of this policy framework from the perspectives of small business owners in the petroleum distribution sector.

1.2.3 The Petroleum Distribution Sector in South Africa

The effectiveness of the SME policy framework in the petroleum distribution sector cannot be evaluated without an understanding of certain critical background features and a look at the historical context of the petroleum industry in South Africa. This section provides a brief excursion of the history of the distribution of white fuels (refined petroleum products) in South Africa. A number of diverse factors are pertinent to this background. Firstly, the strategic significance that fuel products assume in all countries, compounded by the apartheid government's vulnerability to oil sanctions, plays a major role in contextualising the history of fuel products in South Africa. A second major issue is that South Africa's historic reliance on imported crude oil and the consequent establishment of refinery capacity at the coast, some considerable distance from the country's inland industrial hub, means that the major market for fuel products is some distance away from the supply.

These factors led the South African government to search for fuel sources that were not dependent on crude oil. That source was found in the country's abundant supplies of low-grade coal, which enabled the establishment of government initiated and funded synthetic fuel plants in the inland area adjacent to the coal fields. The upshot to this is a fuel industry characterised by complex locational economics. These, in turn, have given rise to a regulatory system and a logistical infrastructure that respond, in significant part, to these geographic features.

The petroleum industry in South Africa is characterised by an oligopolistic market structure dominated by few multi-national oil companies with specific structures and operating systems imposed in areas of operations. These companies are vertically integrated, meaning that they participate throughout the value chain. They have refining capacity, distribution or wholesaling capabilities and the retail network. The dominant petroleum companies in South Africa are BP, Chevron, Engen, PetroSA, Sasol, Shell and Total SA; subsequently, these companies are the major distributors of petroleum products in the country. They operate storage terminals and distribution facilities at the major ports and have distribution facilities throughout South Africa (DoE 2009a).

1.2.4 The South African Petroleum Industry today

South Africa consumed approximately 11.3 billion litres of petrol and 9.1 billion litres of diesel during 2009, showing a 2.2% increase in petrol and a 6.6% decrease in diesel from the previous year (DoE 2009a). As stated above, the petroleum industry is still integrated throughout the value chain. There are three steps to get petroleum products to consumers: firstly the product has to be produced, secondly, it must be transported to depots and storage facilities around the country and finally, it must be distributed from depots to the service stations or customers. These steps are commonly referred to as refining, distribution and retailing.

1.2.4.1 Refining

South Africa has very limited oil reserves and about 95% of its crude oil requirements are met by imports from the Middle East and Africa (DME 2008; DoE 2009a). Refined petroleum products such as petrol, diesel, fuel oil, paraffin, jet fuel and LPG are produced by the following methods:

- Crude oil refining;
- Coal to liquid fuels and gas to liquid fuels; and
- Natural gas to liquid fuels

There are six refineries in the country; four of the refineries are on the coast and two are inland (DME 2008; DoE 2009a).Table 1 presents the six South African refineries, their crude oil throughput and their current ownership.

Table 1: South African refineries, crude throughput and ownership

South African Refinery Ownership and Crude Throughput		
Crude Oil Refined at the following refineries:		
Name	**Crude throughput**	**Ownership**
Chevref	100,000 bpsd[1]	Chevron South Africa
Enref	125,000 bpsd	Engen Petroleum
Natref	92,000 bpsd	Sasol/Total South Africa (64/36%)
Sapref	180,000 bpsd	Shell South Africa/BP Southern Africa (50/50%)
Coal and Gas Processed and Refined at:		
Sasol Secunda	150,000 bpsd	Sasol
(Crude equivalent @ average yield)		
Gas Processed and Refined at		
PetroSA	45,000 bpsd	PetroSA
(Crude equivalent @ average yield)		

Source: Adapted from (DoE 2009a)

[1] bpsd – barrels per stream day

1.2.4.2 Distribution

Petroleum products are moved from refineries by pipelines, rail, sea and road (DoE 2009a) to approximately 200 depots, 4 600 service stations and 100 000 direct consumers who are mostly farmers (DoE 2009a). Figure 1 and Figure 2 show South Africa's petrol and diesel usage by region in 2008. Gauteng consumes the largest amount of petrol and diesel in the country.

The major companies in the South African petroleum distribution industry are BP Southern Africa, Chevron South Africa, Engen Petroleum, PetroSA, Sasol Oil, Shell South Africa and Total South Africa. They operate storage terminals and distribution facilities throughout South Africa. Until recently, there were very few non-refining wholesalers or distributors supplying petrol and diesel in South Africa. Today, there are many that are registered with the Department of Energy (DoE 2009b).

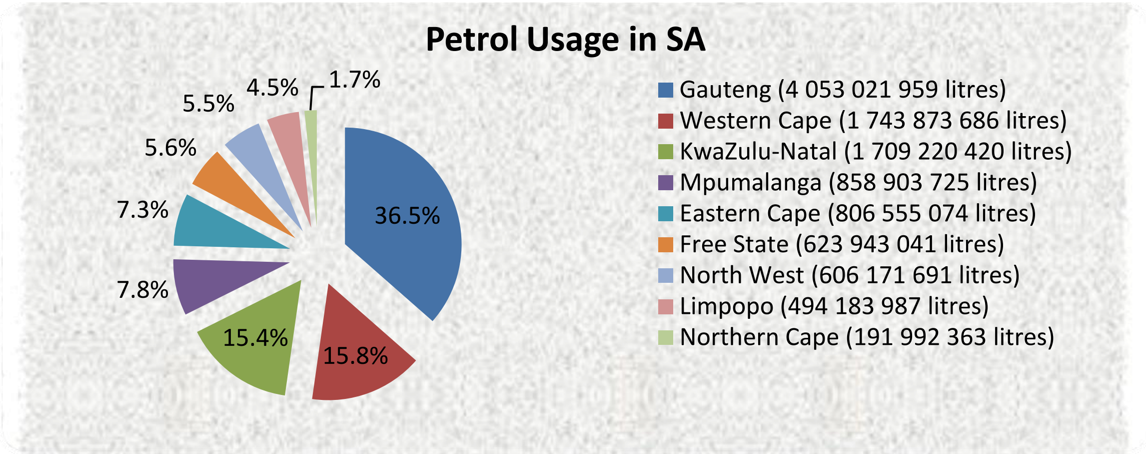

Figure 1: Petrol usage in South Africa by Province

Source: Adapted from (DoE 2009a)

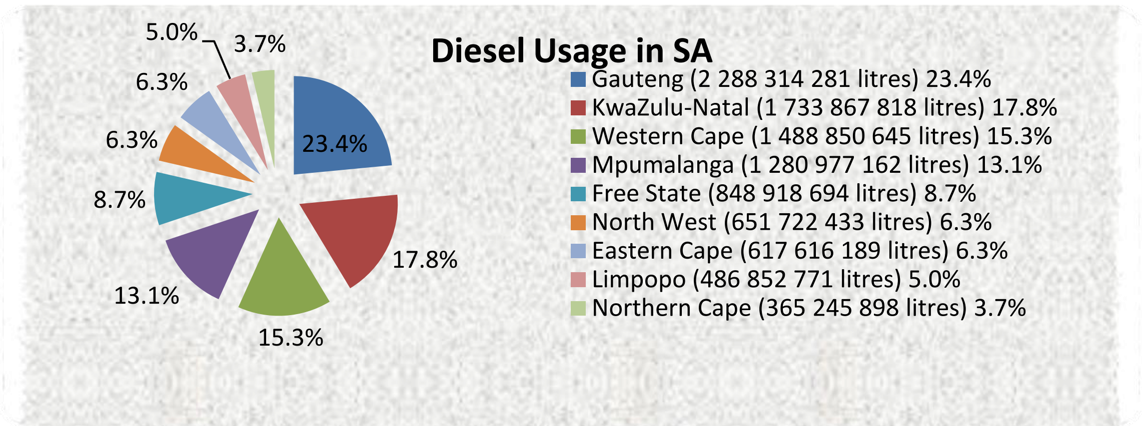

Figure 2: Diesel usage in South Africa by Province

Source: Adapted from (DoE 2009a)

Figure 3 and 4 show South Africa's pattern of consumption of petrol and diesel for the year 2008. 95% of petrol consumed was sold through retail outlets. By comparison, only 39% of diesel consumed was sold through retail outlets.

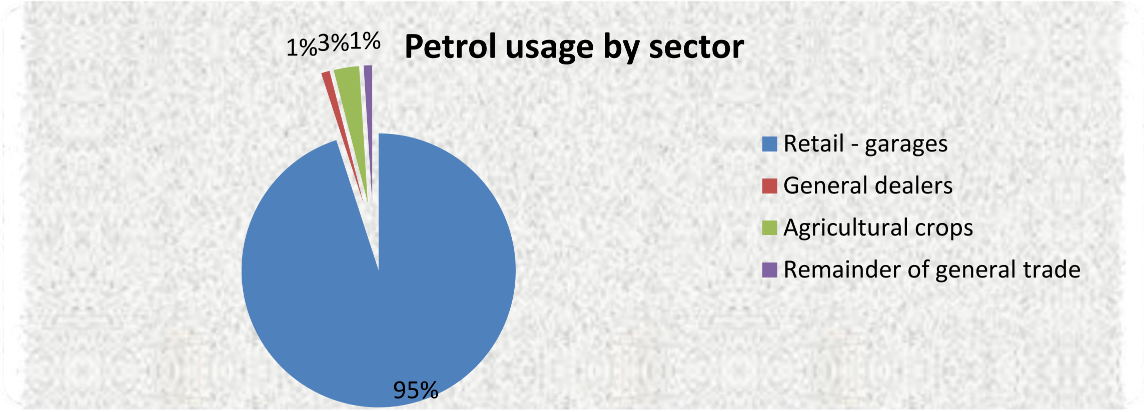

Figure 3: Petrol usage in South Africa by sector

Source: Adapted from (DoE 2009a)

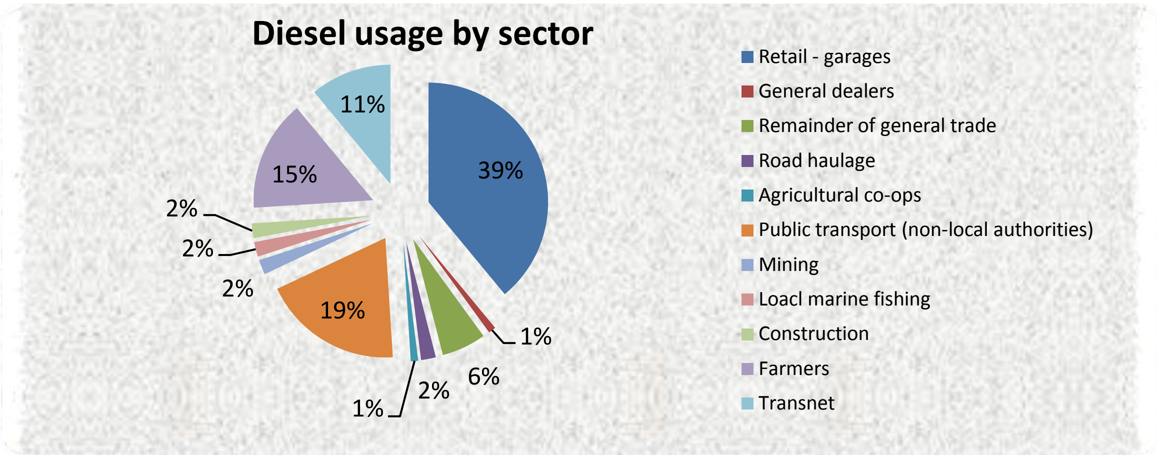

Figure 4: Diesel usage in South Africa by sector

Source: Adapted from (DoE 2009a)

1.2.5 Conclusion

In summary then, seven major oil companies actively distribute petroleum products in South Africa, namely BP, Caltex, Engen, PetroSA, Sasol, Shell, and TOTAL. All of these companies, except PetroSA, are vertically integrated in South Africa, that is, they operate at each stage of the supply chain, namely refining and production, storage, wholesale marketing/distribution and retail. South Africa has four crude oil refineries (Natref, Calref, Sapref and Enref), one synthetic refinery utilising natural gas (Mossref) and one synthetic refinery currently utilising coal (Secunda). The industry's wholesale turnover was some R40, 7 billion in 1997 and it provides employment to more than 100 000 persons (MBendi.com 2009).

As a result of the historical development of the liquid fuels industry and economic and political influences, the industry in South Africa is characterised by a unique regulatory framework and a significant degree of government involvement. Given this context, the research will endeavour to make significant contributions to both SME policies and a related body of literature particularly in the process of the evaluation of the effectiveness of public policy in the petroleum distribution sector. Thus, the research into effectiveness of the current SME policy framework in South Africa is both important and necessary to the ongoing debate on the role of the state in supporting small enterprises.

1.3 Problem Statement

The objective and problem statement of a research project serve related purposes as a compass to a navigator and a road map to an automobile driver (Quade 1989). To emphasise the value and importance of the objective of study and problem statement, Quade (1989) explains that the declaration early in the study of the possible conclusions or recommendations are sometimes regarded as a pitfall. This is in itself a mistake. One should realise that analysis could be an iterative process and that a single cycle of formulation, data collection, and data analysis would be unlikely to give the final answer.

1.3.1 Research Aim

In relation to the theoretical understanding of a problem statement, the aim of this research is to evaluate the effectiveness of the SME policy framework in the South African Petroleum Distribution Sector.

1.3.2 Secondary Aims

To accomplish the research aim identified above, the researcher will have to address the following sub-aims:

Sub-Aim 1

Identify policy analysis methodology to evaluate the effectiveness of public policy.

Sub-Aim 2

Identify and evaluate effectiveness of the broad SME policy objectives delivered by the main SME department (the DTI) of the South African government.

Sub-Aim 3

Identify and evaluate effectiveness of the sector specific SME policy intervention in the petroleum distribution industry delivered by the sector department (the DoE) of the South African government.

Sub-Aim 4

Identify and assess the impact of the salient attributes of the petroleum distribution industry on the development and growth of SMEs in the sector.

Sub-Aim 5

Evaluate other socio-economic policies which influence SMEs that are delivered by departments of government that do not view themselves as having SMEs as their prime, or perhaps even their partial focus.

1.4 Significance of the study

The study will be of value to policy makers in government in that it will provide them with information with which to establish whether or not the SME policy has contributed to correcting or ameliorating the problem it set out to resolve. In spite of its good intentions, the government could fail to prepare the ground for successful policy implementation.

This means that there could be a lack of purposeful, focused, and deliberate attempts to train policy implementers and to make the necessary resources available for the successful implementation of the new policy for the distinctive field. Beyene (2002) highlights that governments that are genuinely committed to the promotion and development of SMEs, have to make sure that an enabling policy and regulatory framework are in place. Therefore, policy makers will become aware that evaluation must be conducted regularly to determine the impact of the policies they have developed.

The policy makers may also benefit from the study in that they will be in a position to evaluate the effectiveness of different policies and programmes and make changes to maximise the impact on the SME sector in general. The information obtained could also assist with a communication campaign targeted at SMEs as is recommended at the end of this dissertation. Given the general consensus on the importance of small businesses in the economy and the significance of government support, the evaluation of the impact the policy landscape has had, will be of value to both the policy makers as well as the SME sector in general. Therefore, the significance of this study is that it will contribute to a body of knowledge. Kesper (2000) observed that few researchers have commented on the effectiveness of various SME support measures implemented since 1995.

Students and researchers may also benefit from the study through referencing some of the information contained in this research, and by conducting further research into areas that have been identified. Lastly, the study may stimulate public debate on the impact of government policies on the SME sector. This may happen once the research become accessible to the members of the public through the Wits library.

1.5 Delimitations of the study

The scope of this study focused on the broad SME policy framework targeting SMEs as developed by the Department of Trade and Industry, the sector specific policy framework under the Department of Energy and other socio-economic policy frameworks that influence the development and growth of SMEs but are not directly controlled by the DTI and/or the DoE.

The study evaluates effectiveness of these policies using a qualitative evaluation methodology to assess the views and feelings of SMEs in the petroleum distribution sector. The SME participants in this study are those that have applied for a distribution license at the DoE and are on the department's database. This research does not rely on the views or positions of the major petroleum distributors and/or their associations.

1.6 Definition of terms

Despite the importance of Small Enterprises within the South African economy, there seems to be no universally applicable definition. Baumback (1983) argues that the term "small business" has been used generally and without specific and careful definition of what "small" is. More importantly however, is that the term 'SMME' as used in South Africa captures a broad and diverse range of enterprises. Indeed, within the definition of Small Enterprises, basic survivalist initiatives and highly organized enterprises are included – making it difficult to generalize about the sector as a whole. For the purposes of this study, the following five categories of business will be used, as defined in the National Small Business Act:

"Survivalist enterprises": under this category, the income generated is less than the minimum income standard or the poverty line. Survivalist enterprises are considered pre-entrepreneurial, and include hawkers, vendors and subsistence farmers; in practice, survivalist enterprises are often categorized as part of the micro-enterprise sector.

"Micro enterprises": the turnover under this category is less than the VAT registration limit; these enterprises are not usually formally registered. They include, for example, *spaza s*hops (informal traders of household goods, often found in communities around the country*)*, minibus taxis and household industries. They employ no more than five people.

"Very small enterprises": these are enterprises employing fewer than 10 paid employees, except in the mining, electricity, manufacturing and construction sectors, where the figure is 20 employees. These enterprises operate in the formal market and have some access to technology.

"Small enterprises": the upper limit in this category is 50 employees. Small enterprises are generally more established than very small enterprises and exhibit more complex business practices.

"Medium enterprises": enterprises with a maximum of 100 employees, or 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are often characterized by an additional management layer (RSA 1996: 2).

While keeping these gaps in mind, the SMME term is used to identify the broad range of small and medium enterprises and the SME term is used when excluding the very small, micro and survivalist enterprises. Specific references to the different categories will be made when needed. Baumback (1983: 1) gives a characteristic based definition of a small business, as one that is (1) actively managed by its owners, (2) highly personalised, (3) largely local in its area of operations, (4) relatively small size within the industry, and (5) largely dependent on internal sources of capital to finance its growth. These are the characteristics which give rise to most of its problems and special needs. The majority of the SMEs that participated in this study were chosen because they have most, if not all, of the above characteristics.

1.7 Assumptions

The following assumptions have been made for purposes of this research:

- The participants to be interviewed have sufficient knowledge of the SME policy framework in South Africa and are in a position to express a view on the effectiveness of the SME policy framework in South Africa.
- The views of the SME participants represent the general view of SME in the petroleum distribution sector.
- The policy framework to be analysed are those that emanate from the DTI as the main SME national department solely responsible for policies and legislations that supports SMEs, the sector specific policy intervention in the petroleum distribution sector as developed by the DoE as a sector department for the petroleum distribution industry.
- Other policies that influence the development and growth of SMEs from other government departments that do not view themselves as SME departments or have an SME focus, are those that were selected from the literature review and deemed relevant in the South African context.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The importance of the petroleum industry, particularly the distribution chain of the sector has been highlighted and justified in the context of the research referred to in Chapter 1. This chapter attempts to give the reader an understanding of public policy analysis, specifically assessing the different methodologies used to analyse public policies and programmes. The literature review will also include the identification of evaluation methodologies and techniques used in evaluation research. The chapter will then review the critical objectives of the broad SME policy framework, the sector specific SME policy intervention and other selected socio-economic policies that influence the successes and failures of SMEs, and how it specifically applies to the development and sustainability of small businesses in the petroleum distribution sector. The composition of this literature review, is based on academic, government and agency publications, and provides commentary on emergent issues, particularly those relating to policy evaluations and relevant SME policy framework.

2.2 Public Policy process

This section provides the foundation for understanding of public policy evaluation, its context, origins, purpose and forms, the people involved, and the process through which public policy is developed. In describing the purpose of public policy, a number of definitions are highlighted for the consideration of the policy making process and the key stages and phases in policy development. Furthermore, the process and relationship between public policy making integrated with policy analysis is considered. This includes an outline of a comprehensive six-step process of policy making and the analytic stages of it. Finally, several evaluation methodologies and techniques used in evaluation research are brought to the fore.

There are numerous definitions of public policy. The following are some examples:

Dye (1992: 1) defines public policy as “whatever governments choose to do or not to do”.

Frederich (1963: 79) has defined it as “a proposed course of action of a person, group or government within a given environment providing obstacles and opportunities which the policy was proposed to utilize and overcome in an effort to reach a goal or realize an objective or purpose”.

Cloete and Wissink (2000: 3) call public policy “a statement of intent that specifies the basic principles to be pursued in attaining specific goals”.

Dunn (1994: 85) defines public policy as “a complex pattern of interdependent collective choices, including decisions not to act, made by governmental bodies and officials”.

This research finds the definition suggested by Brooks (1989: 16) as most useful: “Public policy is the broad framework of ideas and values within which decisions are taken and action, or inaction, is pursued by governments in relation to some issue or problem”.

Briefly stated, public policy is a choice or decision made by government that guides subsequent actions in the future. Given the above definitions, the review focuses on the process of policy-making within the context of public policy process.

2.3 Policy Analysis

In defining policy analysis Dye (2002: 4) says it is “finding out what governments do, why they do it, and what difference, if any, it makes”. This research seeks to find out what difference, if any, the SME policy framework has made for the SMEs in the petroleum distribution sector in South Africa. Finding out what governments do, how they do it and the impact of what they do is a process of policy analysis. In most cases what governments do is defined in policies.

The process of policy analysis is “a series of intellectual activities” (Dunn 2004: 43) carried out within a policy-making process. These intellectual activities are represented in Figure 5 below. Dunn (2004: 1) helps us understand what policy analysis is when he states that it is “a problem-solving discipline that draws on theories, methods, and substantive findings of the behavioural and social sciences, social professions, and social and political philosophy”.

Policy analysis is partly “descriptive” Dunn (2004: 14), drawing on traditional disciplines (for example, political science) that seek to make and justify claims about “causes and consequences” Dye (2002: 5-6) of public policies. Yet policy analysis is also “normative” Dunn (2004: 14); an additional aim being to create and critique knowledge claims about the value of public policies for past, present, and future generations (Dunn 1994).

Thus, policy analysis involves complex phases as represented by the left side of Figure 5. Given the phases of policy analysis, Singleton and Straits (2004) point out that each of the phases requires answers to different evaluative questions. Of importance is that there is a relationship between the policy-making process and the key evaluation activities at each stage of the process. Figure 5 illustrates this relationship.

Dunn (1994) helps to clarify that policy analysis is not just a domain of those involved in policy making process, but for everyone who wants to create, critically assess, and communicate policy-relevant knowledge. He argued that policy analysis is an applied social science discipline that uses multiple methods of inquiry in contexts of argumentation and public debate, to create, critically assess, and communicate policy-relevant knowledge” (Dunn 1994: 84). Indeed, policy stakeholders such as policy beneficiaries; political parties; media; academics; public organisations, etc may conduct policy analysis for various reasons. This research will apply social science methodologies and tools of policy analysis to evaluate the effectiveness of SME policy framework in the petroleum distribution sector in South Africa.

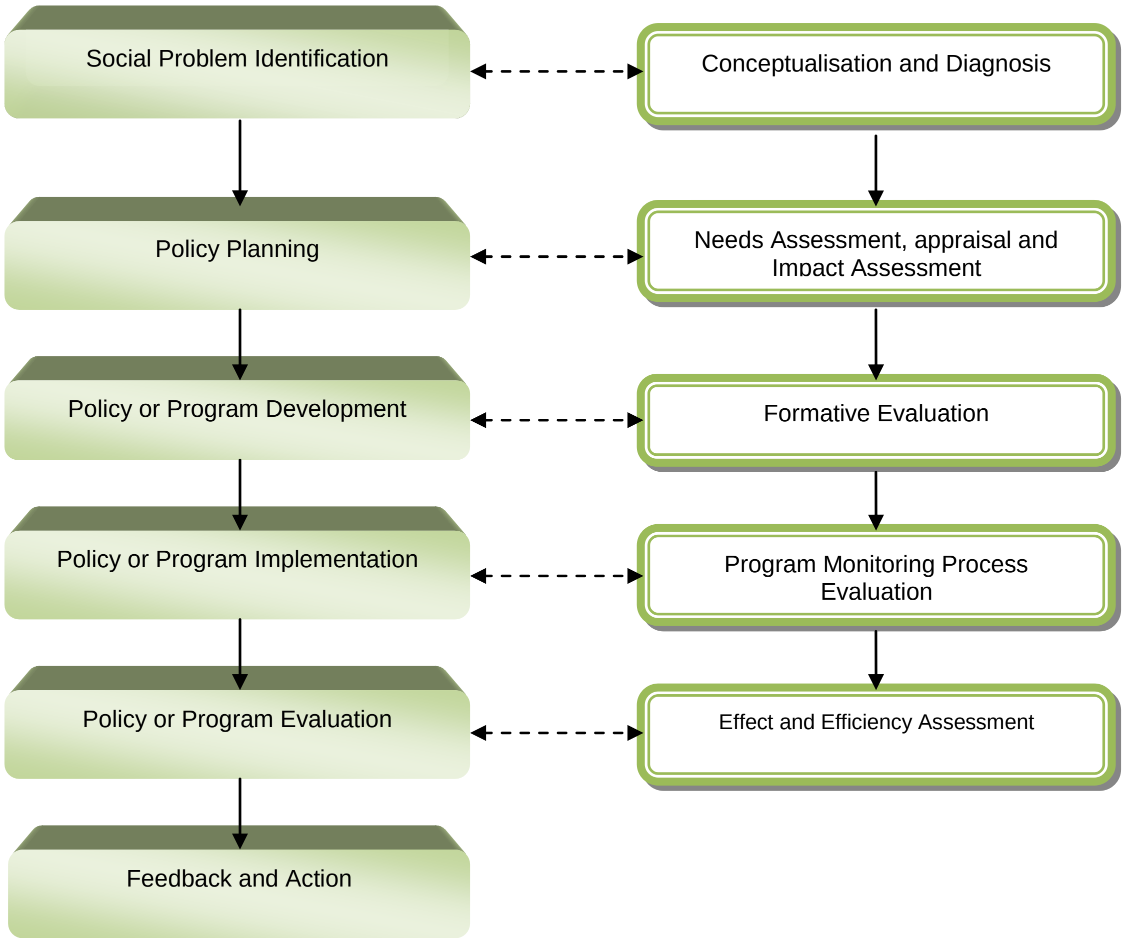

Figure 5: Activities of Policy Analysis during Policy Making Phases

Source: Adapted and altered from Singleton and Strait (2004: 100), Dye (2005: 31-59) and Dunn (1994: 137-422)

2.4 Models of policy making process

The term policy-making process suggests that there is some sort of system or model that translates policy ideas into actual policies that are implemented and have positive effect. This sort of system is what some authors' referred to as policy analysis methodology or models of policy making process. Dunn (2004: 2) defines methodology of policy analysis as "a process of inquiry to discover solutions to practical problems" by incorporating problem solving techniques. Both Dunn (1994, 2004) and Dye (2002) agree that the methodology of policy analysis draws from and integrates elements of multiple disciplines such as political science, sociology, psychology, economics, philosophy.

There are many competing models of policy making that informs the type of methodology to be adopted when analysing policies. Hogwood and Gunn (1984) have found it useful to analyse the policy process in terms of a number of stages through which a policy may pass.

The stages model of policy-making is arguably among the most widely used while at the same time one of the most criticized. While by no means a predictive theory of policy-making or even a particularly accurate account of how policy is made in the real world, the stages model remains an excellent heuristic device (Cloete and Wissink 2000) for students of public policy theory. Dunn (1994) pointed out the five general stages that the policy process go through and argued that they are common to most efforts at human problem solving. These steps are definition, prediction, prescription, description, and evaluation.

There are numerous varying accounts that emphasize the different stages of policy-making. Among the first was that of Harold Lasswell who identified seven stages beginning with what he called intelligence (data-gathering) and ending with appraisal or evaluation (Howlett and Ramesh 2003). Over the past 50 years there have been numerous attempts to amend and improve on this initial formulation with different authors identifying different numbers of stages and using different labels to describe each stage. For purposes of this research, it is useful to adopt the formulation of Dunn (1994) and Howlett and Ramesh (2003) who see the stages model as a form of applied problem-solving and divide the policy-making process into five stages as represented in Figure 6 below.

Similarly, Dunn (1994: 15-16) regards the phases identified as “representing ongoing activities that occur through time”. Each phase is related to the next, and the last phase (policy assessment) is linked to the first (agenda setting), as well as to the intermediate phases, in a “non-linear cycle round of activities”. The application of policy analytic procedures may yield policy relevant knowledge that directly affects assumptions, judgements, and actions in one phase, which in turn indirectly affects performance in subsequent phases.

Dunn’s comments on process or stage model considerations are noteworthy. He states that the process of policy analysis is “a series of intellectual activities carried out within a set of activities that are essentially political” (Dunn 1994:15). He describes these political activities as the policy-making process and visualises the process as a series of interdependent phases arranged through time.

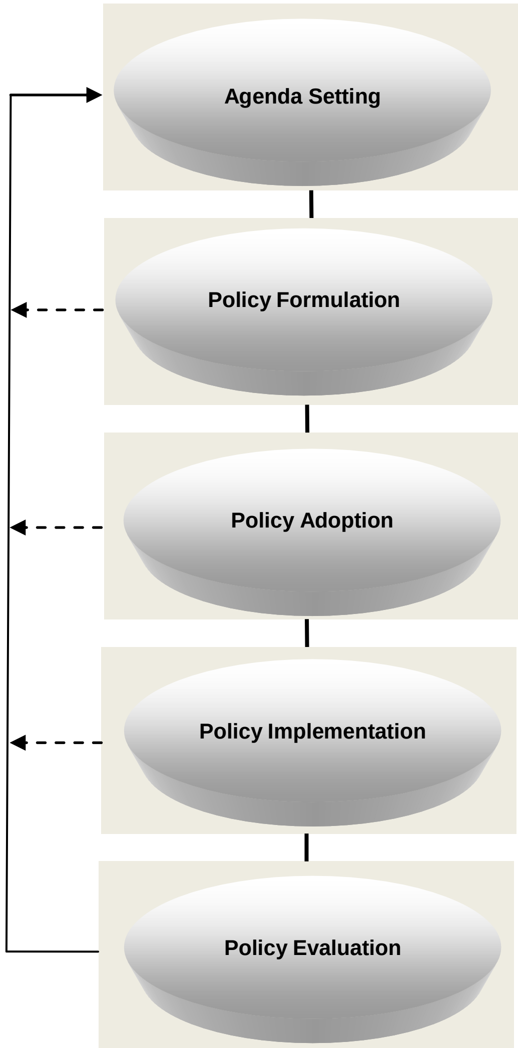

Figure 6: Stages of Policy making Process

Source: Adapted and altered from Dunn (1994: 16) and Howlett and Ramesh (2003: 3)

Hogwood and Gunn (1984) had emphasised that this framework provides an aid to understanding how different kinds of analysis can be brought to bear at different stages of policy process, and stress that what is being advocated is not a simple-minded carry-out analysis where one step follows the next. But, the interactive nature of policy process is an important principle for this model. Section 2.4.1 to 2.4.5 briefly discusses each of the stages of the policy making process.

2.4.1 Agenda setting

The agenda setting stage is where governments decide what to focus on the relative importance of any given issue or set of issues. Dye (2005: 14) argued that agenda setting as a stage of policy process “focuses the attention of the mass media and public officials on specific public problems to decide what will be decided”. However, the government’s agenda is complex and is the result of the push and pull between a range of forces, including promises made during election campaigns, advice received from the public service, the policy and program priorities of the political party that forms the government, policy and program development initiatives initiated by the previous government, pressure from foreign governments, the personal priorities of the President or Premier and the personal priorities of individual Ministers.

The agenda of a government is multifaceted and complex and goes well beyond highly public statements such as State of the Nation's address and the budget' speech. For example, Kingdon (1984) quoted in Howlett and Ramesh (2003) argues that the agenda of a government is best captured by considering three distinct streams. He first identifies a problem stream made up of issues that must be dealt with, perhaps sooner, perhaps later (e.g. how to address the increasing incidence of HIV infections in the population). Second is a policy stream dominated by ideas including ideas about what should be done (e.g. the government should adopt a comprehensive small business development strategy). Third in Kingdon's model is the political stream of priorities that arise from the natural desire of governments to be popular and get re-elected and give rise to agenda items with perhaps dubious policy or program merit but considerable public appeal (e.g. subsidies for public transit passes). The influence of public opinion over governmental policy has long been the subject of philosophical controversy in literature on democracy (Dye 2005). In South Africa, the debate on who set the agenda and who influences government is an ongoing one, but it does show that many forces influence agenda setting when it comes to policy making.

2.4.2 Policy Formulation

The policy formulation stage is where governments, perhaps with the assistance of outside experts, seek to identify the range of possible responses to a given definition of the problem. Dye (2005: 14) pointed out that during policy formulation stage the development of policy proposals by "interest groups" takes place.The range of proposals for action may originate in the agenda-setting process itself. For example, if the problem of HIV infection is framed as being exclusively about individual behavior then the resulting policy options will focus on changing individual behaviour (e.g. abstain, be faithful and use condoms). Alternatively, the process of identifying what can be done about a given policy problem may be a discrete process involving government officials in consultation with relative stakeholders, be they interest groups, academics or other governments.

Dunn (1994) suggests that policy formulation involves the development and synthesis of alternative solutions for policy problems. The critical point is the complexity of the process by which policy and program choices are identified and evaluated, and which are included and excluded from final consideration by those with the power to make binding decisions on what is to be done. In other words, even if an issue is on the policy agenda, it is not always straightforward or clear as to who is involved in the process of working out the nature of the issue and therefore what is to be done.

2.4.3 Decision-Making

Dye (2005: 15) calls this stage "policy legitimation", whereby the selection and enactment of policies through political actions takes place. Dunn (2004) argued that this is a stage where preferred policy alternatives are selected. As argued earlier, in much of social sciences literature on policy-making, decision-making on policy is the core focus. Thus, for example, in the various models of knowledge transfer, exchange and brokering, the emphasis is on getting research to the persons who make decisions. In contrast, in the stages model, deciding what to do is only one of several steps in the policy process. In order for action to be taken, decisions have to be made after agreeing that an issue is on the agenda for action and assembling information and analysis on the range of possible responses.

The decision-making process can be quite simple and involve one or only a small group of people (as is often the case in clinical decision-making) or it can be quite complex and involve dozens if not hundreds of people (as is common in Cabinet decision-making). Similarly, public policy is rarely the result of a single discrete decision and is much more likely the result of a series of piecemeal, more or less integrated decisions or decision rounds (Howlett and Ramesh 2003). Moreover, this is where the distinction between policy and programs can become critical. In deciding what is to be done, or more precisely, the range of options for what might be done, a series of decisions or decision rounds is required. Having agreed that a policy problem (e.g. long waiting times in hospital, risk of social exclusion based on race) is on the agenda, the first round of decisions is about general direction and the broad choice of policy instruments. In response to the problem, will the emphasis be on regulation, public expenditure, tax measures of various kinds or perhaps waiting for conditions to change (the equivalent of watchful waiting in a clinical setting).

The formulation of options in the course of this first round is not likely to be particularly amenable to evidence or at least evidence alone. The choice of instruments is often determined as much by the general philosophical orientation of the government (e.g. liberal governments prefer spending, conservative governments tax measures) as it is by the marshalling of evidence. In subsequent decision rounds, having established the general direction, governments must decide on specific program options.

2.4.4 Policy Implementation

At first glance, it seems odd to focus on what happens after the decision has been taken. But Dye (1992) highlighted the importance of policy implementation. He argued that public policy making does not end with the passing of legislation, but it culminates in policy implementation, which involves all of the activities designed to carry out the policies enacted by the legislature. Dye (2005) pointed out that policy implementation is a stage where the implementation of policies through organised bureaucracies, public expenditures, and the activities of the executive agencies happen. Henry (2007) concurred with Dye (2005) when he stated that implementation is the execution and delivery of public policies by organisations or arrangements among organisations. That is, the translation of public policy into activities that would address identified public problems that informed the need for such a policy.

In small-scale and clinical settings, focus on what happen after the decision has been made is arguably less critical because, if you will, the person who makes the decision implements it. In most areas of public policy, however, the decision to initiate a new policy direction may not be the end of the story; it may simply be a critical milestone along a much longer process that requires a number of subsequent decisions and choices. For example, the MEC of Health in a given provincial government may recommend to the provincial Cabinet that the government take action to increase the amount of physical activity in schools. Cabinet might well agree on the broad policy or that dedicated funds should be set aside for targeted transfers to school boards. While these decisions are important, they leave unspecified precisely how school boards, individual schools and individual teachers will, in fact, expand physical activity. Thus, the high level decision to expand physical activity levels triggers a complex series of subsequent decisions about funding and policy implementation. Hence, Dunn (1994) sees policy implementation as the execution and steering of policy actions over time.

2.4.5 Policy Evaluation

The last stage of policy making process and the most significant to this research is that of evaluating the policies. Dunn (1994) says that evaluation yields policy-relevant knowledge about discrepancies between expected and actual policy performance, thus assisting policy makers in the policy assessment phase of the policy-making process. It does not only assist in policy assessment phase, but in policy adaptation, policy succession, and policy termination phases.

Evaluation is not only about the results in conclusions about the extent to which problems have been alleviated, but it may also contribute to the clarification and critique of values driving a policy, aid in the adjustment or reformulation of policies, and establish a basis for restructuring problems (Dunn 2004). Dye (2002) concurred with the process of policy evaluation as identified by Dunn and further states that this evaluation of policies is done by government agencies, outside consultants, the press and the public for various purposes. Dunn (2004) emphasised that evaluation is concerned with the production of information about the value or worth of policy outcomes. The next section will further expand on evaluation as a tool for policy analysis for purposes beyond policy making process, as this study will demonstrate.

2.5 Evaluation as a policy analytic tool

In this section the analysis moves to the five policy analytic methodological steps on Figure 5 above, focusing specifically on the last step policy evaluation. According to Weiss (1998) the domain of evaluations stretches to cover judgements of many kinds. What all the uses of the word have in common is the notion of judging merit. In this context, policy evaluation is primarily concerned with establishing the value premises necessary to produce information about the performance of policies. Evaluation is the "systematic assessment" of the operation or the outcomes of a policy, compared to a set of explicit or implicit goals and objectives, as a means of contributing to the improvement of the policy (Weiss 1998: 4).

Dunn (1994) states that the term evaluation is synonymous with appraisal, rating, and assessment, words which imply efforts to analyse policy outcomes in terms of some set of values. Put differently, Dunn (2004) says that evaluation refers to the production of information about the value or worth of policy outcomes. The importance and the necessity of evaluation is evident, be it when developing a policy and planning the different steps and methods to reach the goal of the project, or when the project has been carried out and its effects on social reality have to be assessed (Bless and Achola 1990).

Scriven (1991: 1) defines evaluation as "a process of determining the merit, worth, and value of things, and evaluations are the product of that process". In their review of policy evaluation in innovation and technology, Papaconstantinou and Polt (1997: 10) provide a very helpful definition of evaluation. They say that evaluation refers to "a process that seeks to determine as systematically and objectively as possible the relevance, efficiency and effectiveness of an activity in terms of its objectives, including the analysis of the implementation and administrative management of such activity".

Several words or phrases in Papaconstantinou and Polt (1997)'s definition merit strong emphasis. The first key word is "process". This emphasises that evaluation is not a once-off activity, undertaken once a particular policy has come into fruition. Instead, this definition alludes to evaluation as an integral element of a process of improving policy or service delivery. A second key phrase in the definition of evaluation is "as systematically and objectively as possible". Given that evaluation traditionally takes place "at the end of the line" (Dunn 1981: 20), there are likely to be strong entrenched interests in place once a policy has been in existence for a number of years.

These entrenched interests include the direct beneficiaries of the policy, such as the businesses receiving funds or other assistance, but they will also include those who are responsible for initiating and administering this policy. It is to be expected that all these groups will choose the policy to continue or expand. The task of the evaluator, however, is to "systematically and objectively" assess the merits of the policy performance (Papaconstantinou and Polt 1997: 10). In this task, the evaluator may well conflict with those committed to the policy. Only through the use of objective techniques, discussed later in Section 2.5.4 and Chapter 3, can the evaluator demonstrate their independence to those delivering policies or programmes.

The third key phrase in the definition is "the relevance, efficiency and effect of an activity in terms of its objective". The implicit assumption in this statement is that the policy has clear objectives and that these are stated in sufficiently clear terms for them to be used by the evaluator. In practice, this is by no means always the case. As will be shown later (in Chapter 5), a key role for evaluators is often to formalise for the first time the objectives of policies, often after such policies have been in operation for many years.

However, the need for purposeful, deliberate, and organised efforts to implement creative new policies and improve existing ones gives rise to the need for evaluation. Resource limitations and more realistic expectations for social programmes only increase the need for evaluation efforts as societies attempt to cope with their human and social problems. Section 2.5.1 provides a brief review of the purpose of policy evaluation.

2.5.1 Purpose of policy evaluation

Evaluations may be undertaken for a variety of reasons, for management and administrative purposes, to assess the appropriateness of policy changes, to identify ways to improve the delivery of policy interventions, or to meet the accountability requirements of funding organisations (Rossi and Freeman 1993). They may be undertaken for planning and policy purposes, to test innovative ideas on how to deal with human and community problems, to decide whether to expand or curtail a policy programmes, or to support advocacy of one policy programmes over another.

Finally, they may be undertaken to test a particular social science hypothesis or a principle of professional practice (Rossi and Freeman 1993).

Policies that have been in existence for decades may also be subjected to evaluation for a variety of reasons. A policy may have been instituted for a complex set of political and/or other external reasons, and it becomes important to have hard data on its impact and the ratio of benefits to costs in order to justify a decision continue, expand, or terminate it (Dunn 1994). Evaluation activities may also be provoked by changes in the resources available, in political outlooks, or in community members' priorities, as well as by real or asserted declines in the extensiveness or severity of the target problem. Rossi and Freeman (1993) state that perhaps most important in stimulating evaluations of an established policy is evidence or suspicion that the policy is either ineffective or inefficient. In addition, as mentioned earlier, a policy may be subject to sunset legislation providing for regular reviews and automatic termination if the policy fails to demonstrate utility.

Rossi and Freeman (1993) point out three complexities of evaluation research in practice. First, they argued that the inherent requirement that evaluators do their work in "a continually changing decision-making milieu" creates complexities. Secondly, complexity in evaluation research is caused by the need for evaluators to ensure that evaluations are "scientific" on the one hand and "pragmatic" on the other. Lastly, evaluation research is complex because of "diversity in evaluation outlooks and approaches" (Rossi and Freeman 1993: 27). Hence, the field of evaluation research is not monolithic in conceptual outlook or in methodological approach.

Now that the reasons for conducting policy evaluation have been established, the next section (Section 2.5.2) reviews different criteria used by evaluators to evaluate policy outcomes, which lead to the characteristics discussed in this section.

2.5.2 Criteria for evaluating policy

In producing information about policy performance, analysts use different types of criteria to evaluate policy outcomes. Rossi and Freeman (1993) argued that the criteria to use for evaluation depend on the stage of the programme or policy. For example, Dunn (2004) points out that criterion for evaluation are applied retrospectively, while criteria for recommendation are applied prospectively. Evaluation can either be conducted for new policies or for established policies. Dunn (2004: 358) identified six main types of criteria used to evaluate existing policy outcomes and these are briefly discussed below:

Firstly, evaluation can be undertaken to determine the effectiveness of policies. “Effectiveness” refers to whether a given alternative results in the achievement of a valued outcome (effect) of action, that is, an objective. Secondly, the evaluation can be performed to determine the “efficiency” of the policies in achieving the expected outcomes. Efficiency refers to the amount of effort required to produce a given level of effectiveness. Thirdly, policy can be evaluated for its “adequacy”. Adequacy refers to the extent to which any given level of effectiveness satisfies the needs, values, or opportunities that give rise to a problem, i.e. to what extent does the achievement of a valued outcome resolve the problem? Fourthly, policies can be evaluated to determine their “equity”. The criterion of equity is closely related to legal and social rationality and refers to the distribution of effects and effort among different groups in society. Equity is concerned with establishing if costs and benefits are being distributed equitably among different groups in society.

Fifthly, policy “responsiveness” as a criterion can be used to evaluate policy. Responsiveness refers to the extent that a policy satisfies the needs, preferences, or values of particular groups. The criterion of responsiveness is important because an analyst can satisfy all other criteria yet still fail to respond to the actual needs of a group that is supposed to benefit from a policy. Lastly, policies can be evaluated to determine their appropriateness. The criterion of “appropriateness” is intimately related to substantive rationality, since questions about the appropriateness of a policy are not concerned with individual sets of criteria but two or more criteria taken together. Appropriateness refers to the value or worth of a programme’s objectives and to the tenability of assumptions underlying these objectives.

As mentioned earlier, analysts use these different criteria to evaluate policy outcomes during a policy evaluation study. In this research, the evaluation criterion used is the effectiveness. As stated in the object of this study, the purpose is to evaluate the effectiveness of the SME policy framework in petroleum distribution sector in South Africa. However, to achieve this objective requires identification and use of an appropriate policy evaluation method. Section 2.5.3 reviews the different methodologies and techniques applicable to policy evaluation, and end with the identification of a methodology that will be applicable to this study given the criterion chosen to evaluate the policy outcome.

2.5.3 Policy Evaluation Methods and Approaches

A crucial issue in evaluation is the discussion of the methodological tools to be used when evaluating programmes and policies. These methodological tools may include cost-benefit techniques, econometric methods, case studies, in-depth surveys and peer review to mention but a few (Papaconstantinou and Polt 1997). As Section 2.4 has indicated, the methodology of policy analysis incorporates standards, rules, and procedures. But it is the standards and rules that govern the selection and use of procedures and the critical assessment of their results. This section reviews the methods that are used in policy evaluations.

Evaluation has two interrelated aspects; the use of various methods to monitor the outcomes of public policies and programmes, and the application of some set of values to determine the worth of these outcomes to some person, group, or society as a whole (Dunn 2004). Evaluation research like any other social science research has, since its earliest days, had two distinct and often competing methodologies (Dye 2002 and Dunn 2004). One of these methodologies is influenced by the natural sciences, has viewed the world as a set of objective phenomena that can be observed, measured, and analysed in much the same way that natural scientists can study chemicals.

Rossi and Freeman (1993) argued that this type of methodology lend itself to numerical representations and answer to structured questionnaires. This is what is commonly defined as the quantitative research methodology. Weiss (1998) pointed out that quantitative evaluation methodology collects data that can be transformed into numerical form, so that analysis can be largely statistical and reports will be based in large part on the size of effects and the significance of statistical relationships.

The other competing methodological approach is called qualitative methodology. In the qualitative research, social research is seen in a fundamentally different way, with the researcher's perspective acknowledged as an integral part of what is recorded about the social world that he/she is studying. In contrast, qualitative data, such as protocols of unstructured interviews and notes from observations, tend to be less easily summarised in numerical form (Rossi and Freeman 1993). Weiss (1998) concurred that qualitative evaluation tends to use unstructured interviewing and observational techniques, so that analysis and reporting take the shape of narrative. Further discussion of both qualitative and quantitative research methodology will be presented in Chapter 3.

There is growing advocacy in the literature for the use of both qualitative and quantitative methods when conducting social research (Greene 2005). This approach is commonly referred to as mixed methodology. Although many evaluators now routinely use a variety of methods because the field has come to accept the legitimacy of various methodological approaches, "what distinguish mixed-method evaluation is the intentional or planned use of diverse methods for particular mixed-method purposes using particular mixed-method designs" (Greene 2005: 225). Dunn (1994: 359) provides different approaches to policy evaluation, as illustrated in Table 2 below.

Table 2: Three Approaches to Evaluation

Approach	***Aims***	***Assumptions***	***Major Forms***
Pseudo-evaluation	Use descriptive methods to produce reliable and valid information about policy outcomes	Measures of worth or value are self-evident or uncontroversial	Social experimentation Social systems accounting Social auditing Research and practice synthesis
Formal evaluation	Use descriptive methods to produce reliable and valid information about policy outcomes that have been formally announced as policy-program objectives	Formally announced goals and objectives of policy makers and administrators are appropriate measures of worth or value	Developmental evaluation Experimental evaluation Retrospective process evaluation Retrospective outcome evaluation
Decision-theoretic evaluation	Use descriptive methods to produce reliable and valid information about policy outcomes that are explicitly valued by multiple stakeholders	Formally announced as well as latent goals and objectives of stakeholders are appropriate measures of worth or value	Evaluability assessment Multiattribute utility analysis

Source: Dunn (1994: 359)

However, Owen (2006) proposes six major approaches used in an impact policy evaluation. He pointed out that impact evaluation is used to assess the effects of an established programme or policy. The six approaches proposed by Owen (2006: 48) are as follows:

- Objectives based evaluation;
- Needs-based evaluation;
- Goal-free evaluation;
- Process-outcome studies;
- Realistic evaluation; and
- Performance audit.

For purposes of this research, the formal evaluation approach proposed by Dunn (1994) and the objectives based evaluation approach proposed by Owen (2006) have been adopted for this study. The two approaches provide a good basis for the techniques to be used during the research and their assumptions fit the requirements of this evaluation study. The two approaches and their aims, assumptions, and major forms are briefly discussed below.

2.5.3.1 Formal Evaluation

Formal evaluation is an approach which uses descriptive methods to produce reliable and valid information about policy outcomes but evaluates such outcomes on the basis of policy-programme objectives that have been formally announced by public policy makers and programme administrators (Dunn 1994). The major assumption of formal evaluation is that formally announced goals and objectives are appropriate measures of the worth or value of policies and programs. Because the goals and objectives of policies are often expressed in a non-numeric form, formal evaluation tends to be qualitative evaluation, whereby the qualitative evaluator emphasises understanding, rather than precise measurement, of events (Weiss 1998).

There are two types of formal evaluation (Dunn 1994). One of the major types of formal evaluation is the summative evaluation, which involves an effort to monitor the accomplishment of formal goals and objectives after a policy or programme has been in place for some period of time (Rossi and Freeman 1993, Weiss 1998 and Dunn 2004).

By contrast, a formative evaluation involves efforts to continuously monitor the accomplishment of formal goals and objectives. Formative evaluation is intended to furnish information for guiding programme improvement (Scriven 1991) because its purpose is to help “form or shape the programme to perform better” (Rossi, Lipsey and Freeman 2004: 34).

Owen (2006) argues that summative evaluation assist with decisions about whether to terminate a programme or to adopt it in another place. The difference between summative and formative evaluation should not be overemphasised, however, the main distinguishing characteristic of formative evaluation is the number of points in time at which policy outcomes are monitored (Dunn 1994).

Formal evaluations may be summative or formative, but they may also involve “direct or indirect controls over policy inputs and processes” (Dunn 2004: 360). In the former case evaluators can directly manipulate expenditure levels, the mix of programmes, or the characteristics of target groups that is; the evaluation may have one or more characteristics of social experimentation as an approach to monitoring. In the case of indirect controls, policy inputs and processes cannot be directly manipulated; rather they must be analysed retrospectively on the basis of actions that have already occurred.

2.5.3.2 Objectives-based evaluation

Objectives-based evaluation approach involves judging the worth of a programme on the basis of the extent to which its stated objectives have been achieved. Owen (2006) claims that objectives-based evaluation represents the foundation of evaluation practice. A number of methods and techniques can also assist analysts in evaluating policy performance. Dunn (2004) points out that nearly all of these techniques, may also be used in conjunction with other policy-analytic methods, including problem structuring, forecasting, recommendation, and monitoring.

The fact that various techniques may be used with more than one policy-analytic method points to the interdependence of stages of policy making and policy analysis. Many methods and techniques are relevant to pseudo-evaluation, formal evaluation, and decision-theoretic evaluation as can be seen from Table 3.

Wholey et al. (1994: 49) as quoted in Cloete and Wissink (2000) suggested the following as data collection methods for formal evaluation:

- Focus groups;
- Observation;
- Open-ended interviews;
- Ethnographic analysis;
- Message or Forms analysis
- Expert judgement; and
- Equipment trial.

Table 3: Techniques for Evaluation using the three approaches

APPROACH	TECHNIQUE
Pseudo-evaluation	Graphic displays Tabular displays Index numbers Interrupted time-series analysis Control-series analysis Regression-discontinuity analysis
Formal evaluation	Objectives mapping Value clarification Value critique Constraint mapping Cross-impact analysis Discounting
Decision-theoretic evaluation	Brainstorming Argumentation analysis Policy Delphi User-survey analysis

Source: Dunn (2004: 368)

2.5.4 Conclusion on policy evaluation

In concluding, the South African challenge concerned the underdeveloped SME sector (Visagie 1997) and the legacy of inequality left by apartheid. To address these ills, there was a need for the establishment of a broad SME policy framework, the sector specific policy framework and other socio-economic policies. This research evaluates the effectiveness of these policies by using both summative and formative formal evaluation approach. The research will utilise different techniques as shown in Table 3 to assess the effectiveness of the SME policy framework in the South African petroleum distribution sector. Specifically, the research uses focus group technique, incorporating elements of open-ended interviews; observations and expert judgement to collect data. Section 2.6 reviews the SME policy landscape in South Africa and will utilise objective mapping as a technique to analyse the goals and objectives of the different policy frameworks that are under considerations. Note that throughout this research the terms evaluation, policy evaluation or program evaluation and evaluation research are used interchangeably.

2.6 The SME and the policy landscape in South Africa

A range of literature acknowledged the role and significant contribution small businesses make in the development and growth of economies of nations. (Tate, Megginson, Scott and Trueblood 1982; Hetherington 1989; Beyene 2002) Hetherington (1989) states that apart from a handful with a temporary mineral bonanza, there is no country which enjoyed a rapidly growing wealth in the absence of a strong small enterprise sector. This section begins by looking at the role of SMEs in the economy before investigating the different policy frameworks that impact on the development and promotion of SMEs in South Africa.

2.6.1.1 Role of SME in the Economy

In understanding the role of small enterprises in the post-apartheid economy it is important to understand some of the principles which guide government interventions and support infrastructure for small enterprises. According to Barnard (1996) small enterprises represent an important vehicle to address the challenge of job creation, economic growth and equity in our country. Throughout the world small enterprises play a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways (Tate et al. 1982; Sanchez 2006). Barnard (1996) is of the view that, with the appropriate enabling environment, small enterprises in South Africa can follow these examples and make an indelible mark in this economy.

Small Enterprises also play a vital role in economic development by enabling people to meet the basic needs for survival (Ntsika 2002). However, the contribution of SME economy to poverty alleviation is the subject of growing controversy (Rogerson 2004). Although a number of critical studies question the potential of the SME economy to attain the goals of extensive employment creation, most observers concur that the SME economy can be a positive factor in contributing to poverty alleviation (Rogerson 1999; Kesper 2001).

A critical factor in determining the positive contribution the small enterprise economy might make to poverty reduction, especially by the micro- and informal enterprise, is the policy and support environment offered by local and national governments (Beyene 2002; Rogerson 2004).

Mead (1998) argues that policy support and a less hostile attitude from local government can allow greater informal income and livelihood opportunities and thus make the lives of the poor more prosperous. Nieman (2001) points out that small enterprise development was identified by the new Government as a priority in creating jobs to solve the high unemployment rate in South Africa.

The role of small enterprises in employment promotion (RSA 1995b; Lloyd 2002; Cant and Stanford 2004; RSA1995a) is particularly significant given that the post apartheid economy has been characterised by “jobless growth”(Mollentz 2002: 30). In terms of economic redistribution, small enterprise promotion undoubtedly contribute to redressing the economic inequalities inherited from the apartheid period (Bezuidenhout et al. 2005).

Small Enterprises are regarded as a key contributor to economic growth, job creation and equity in South Africa (RSA 1995a). The important contribution that small enterprises can make to employment and income generation is increasingly being recognised around the world (Cant and Stanford 2004). It is a common phenomenon throughout the world that the small business sector plays a critical role in absorbing labour, penetrating new markets and assisting in the creation and expansion of markets in innovative ways (Lloyd 2002).

Hence, governments genuinely committed to the promotion and developments of SMEs have to make sure that an enabling policy and regulatory framework are in place (Beyene 2002). The next section discusses the broad SME policy framework as developed and managed by the Department of Trade and Industry, the department in South Africa under which SMEs fall.

2.7 The broad SME policy framework

This section traces the evolution of SME policy framework in South Africa and discusses the current perspective. Chapter 5 assesses the efficacy of the SME policy framework. Until the new administration under the leadership of President Zuma, the Department of Trade and Industry has generally been responsible for the overall management and implementation of broad economic policies, strategic direction and the general SME policy framework in South Africa. However, this may change with the restructuring of government departments and the establishment of the Department of Economic Development and the National Planning Commission in the Presidency. This department is not yet in existence but currently talks indicate that it may come to fruition after the 2009 national elections.

During apartheid, South Africa's SME economy was either largely neglected by policy makers or, in the case of black-owned enterprises, actively discouraged by repressive measures (Berry et al. 2002). This is despite international evidence suggesting that the regulatory environment has a major influence on the survival and growth of small and new businesses (Orford 2005).

The establishment of the Small Business Development Corporation (SBDC) in the early 1980s was the first government initiative to support small firms, but only in the late 1980s did a racially unbiased political interest in the development of small business in South Africa begin to take root. This political shift provoked an upsurge of literature on small enterprises, suggest Berry et al. (2002) and Kesper (2000). Overall, a dramatic shift has occurred from the apartheid period when the SME economy was either largely neglected by policy makers or, in the case of black-owned enterprises, was actively discouraged by an arsenal of repressive measures.

In the 1990s, by contrast, new policy objectives, including poverty alleviation and the enhancement of national economic growth, actively promoted the SME economy (Rogerson 2000; Rogerson 2002). However, the practical implementation of policy and the enforcement of regulatory controls have not always been successful.

Since 1995, several specific policies and laws targeting the entire spectrum of the small business in South Africa were drafted (Berry et al. 2002; Mollentz 2002). The 1995 White Paper on National Strategy for the Development and Promotion of Small

Business in SA was the first major effort made by the democratic government in this regard. This, together with the National Small Business Development Act of 1996, paved way for the launch of a range of new support institutions and initiatives (Rogerson 2004). In a World Bank report, the ICC (1999) argues that the White Paper has done an excellent job in creating a policy that is based on the particularities of South Africa. Indeed, the Act and the White Paper identified access to finance, capacity building and the regulatory framework as key factors that needed to be addressed to achieve growth in the small business sector (Mollentz 2002).

South African government interventions for small business promotion identify three key roles for small enterprises in the national economy and society, namely: employment promotion, economic redistribution and enhancing of competitiveness (Rogerson 2000). Today it is widely acknowledged that the small business sector is an essential factor in promoting and achieving economic growth and development for the widespread creation of wealth and employment (Nieman 2001). Hence, it is not surprising that in the reconstruction initiatives of post-apartheid South Africa, promotion and support of the small, medium and micro- enterprise sector has become a significant policy issue for the ANC-led government (Rogerson 2002).

Berry *et al* (2002) argue that, while there is a general consensus on the importance of small enterprises in South Africa, their economic rationale to date has been neither well argued nor rigorously investigated. The authors claim that in particular, there is a lack of clarity on how small enterprises fit within the industrial policy framework and with regard to other objectives of government. Therefore, the next section investigates the actual objectives of the broad SME policy.

2.7.1 Objectives of the broad SME Policy framework

The fundamental principle of evaluation requires that the objectives of the SME policy framework be specified (Hill, Leitch and Harrison 2006). Objectives are usually expressed in general terms like the increase in entrepreneurial activity or increasing the chances of the survival of new businesses. A sketchy description of objectives helps policy makers in that it makes it easier to point out success. Conversely, it also helps to mask failure. Hill et al. (2006) suggest that it is unsatisfactory for the government to claim that the target is anything it happens to achieve.

The overall objective of the National Strategy for the Development and Promotion of Small Business was “to create an enabling environment for SME growth” and “to level the playing field” (RSA 1995a: 11) in the country as a way of addressing basic inequalities in the economy (Berry et al. 2002). In 1995 the government articulated a number of objectives (measures) in the White Paper on national strategy on the development of small business in South Africa to foster an enabling environment in support of small businesses. These included:

- creating an enabling legal framework;
- Streamlining regulatory conditions;
- Facilitating access to information and advice;
- Facilitating access to marketing and procurement;
- Facilitating access to finance;
- Facilitating access to affordable physical infrastructure;
- Providing training in entrepreneurship, skills and management;
- Improving industrial relations and the labour environment;
- Facilitating access to appropriate technology;
- Encouraging joint ventures;
- Capacity building and institutional strengthening; and
- Introducing differential taxation and other financial incentives (RSA 1995a: 17-31).

The mechanisms for small business support, as outlined in the White Paper, were accepted into the Constitution through the National Small Business Act. Kesper (2000) argues that the objectives of the policy measures are aimed at addressing the obstacles and constraints that Small Enterprises face, to promote (faster) growth; to enhancing their capacity to comply with the challenges of globalisation and an internationally competitive economy; and to strengthen their cohesion to increase the leverage of policy measures.

Beyene (2002) asserts that a government that is genuinely committed to the development of SMEs needs to ensure a support strategy that judiciously combines entrepreneurial, technological and managerial competence with real market opportunities and access to resources. However, combining the foregoing elements in a business concern can be assured and facilitated by a favourable political and economic climate, by a policy and regulatory environment that does not discriminate against small enterprises and by a set of institutional mechanisms (private, governmental and non-governmental) that helps to upgrade managerial and technical competencies and facilitates access to markets (Beyene 2002).

In other words, the need for building capacity to encourage small business development, especially within the previously disadvantaged groups in South Africa, is of paramount importance to the development and long-term survival of the South African economy (Lloyd 2002). In addition, an appreciation of the key constraints on developing the small enterprise economy sets the context for evaluating the government's overall policy framework for SME development (Rogerson 2000; Rogerson 2002), and with regard to this thesis the SME policy as it applies to the petroleum distribution industry.

The common thread in the emerging body of literature on South African small enterprises suggests that a disjuncture exists between the model of the SME sector used by South African policy makers and its reality (Kesper 2000). This will further be tested during the research interview and subsequent evaluation of the effectiveness of this policy. The following research question has arisen from the literature pertaining to the broad SME policy framework in South Africa:

Research Question 1:

What are the broad SME policy objectives in South Africa?

Research Question 2:

How have the broad SME policy objectives in South Africa been effective in creating promoting and developing for SMEs in the petroleum distribution sector to grow and be sustainable?

2.8 Sector Specific Policy Framework

The historic and strategic importance of the Petroleum industry in South Africa was highlighted in chapter 1 and assisted in providing the context of this study. Government has developed sector specific policy framework to regulate this industry given its strategic importance in the economy. The first sector specific SME policy framework in the petroleum wholesale/distribution sector initiated in post-apartheid South Africa was covered in the 1998 Energy Policy White Paper. The Policy states that there is no regulatory prohibition on participation in the wholesale industry.

It is however incumbent on wholesalers to secure product and to find markets for such product. This implies that historically disadvantaged South Africans that wish to enter the wholesale sector must be accommodated, on a sustainable basis, through negotiation, as participants in the Service Station Rationalisation Plan (RSA 1998). The Service Station Rationalisation Plan was a voluntary agreement between government and the petroleum wholesale and retail sectors, which guided the development of the retail sector (RSA 1998). This agreement limited the number of service stations to promote throughput at service stations and thereby, through economies of scale, contains costs in a price-controlled environment. The agreement also prohibited vertical integration in the industry, in that wholesale marketer or distributors are not allowed to operate service stations, in order to promote SMME in the retail sector.

RSA (1998: 65) identifies policy challenges for the South African Petroleum industry to include the need to achieve the following:

- An efficient and internationally competitive industry;
- An equitable balance between the interests of industry participants and consumers;
- An environment conducive to synergistic investment in the Petroleum sector and the related petro-chemical industry;
- An industry supportive of government’s broader social and economic goals;
- A restructuring of the state’s involvement in the industry to one more appropriate to South Africa’s changed political and economic circumstances;

- The meaningful inclusion of those interests which have been historically disadvantaged;
- The optimum and efficient utilisation of petroleum products; and
- An efficient network of pipeline and storage infrastructure whilst protecting against the abuse of market power and restrictive practices in these natural monopolies.

Government believes that the desired attributes for the petroleum industry can ultimately best be met in an environment of minimum government intervention and regulation (RSA 1998). The Energy White Paper mentions three phases with milestones for government to achieve complete deregulation in the petroleum sector. The key milestones to be achieved in the first phase will be:

- The sustainable presence, ownership or control by historically disadvantaged South Africans of approximately a quarter of all facets of the petroleum industry or plans to achieve this.
- The introduction of necessary legislation to give effect to the cornerstones of government policy including the protection of "full service" and the equitable participation of small businesses in the industry.
- The introduction of suitable transitional arrangements within the Service Station Rationalisation Plan.
- Suitable arrangements to address any labour related consequences of deregulation.
- The introduction of suitable institutional capacity and measures to license and/or regulate oil and liquid fuel pipelines and possibly also storage facilities if this is found necessary (RSA 1998: 70).

Following the gazetting of the White Paper on the Energy Policy in 1998, government and the petroleum industry stakeholders signed the first charter in South Africa in December 2000. This Charter, although voluntary then, provided information which followed the progressing of the empowerment of historically disadvantaged South Africans in the liquid fuels industry. The wholesale companies that participated in the signing of the Charter also undertook to foster a supportive culture with regard to all aspects of the Charter when dealing with HDSA small enterprises (RSA 1998).

Although, the Charter dealt with different facets of transformation, the parties also agree to create fair opportunity for entry to the wholesale or distribution sector by HDSA small enterprises.

In 2003, government amended the Petroleum Products Act 1977 (Act No. 120 of 1977) and in the process annexed the Charter to the Act. This made the Charter a bidding piece of legislation. One of the objectives of the Amendment Act is to provide for the licensing of activities in the petroleum industry by, for example, licensing any person who wholesale prescribed petroleum products (RSA 2003). It is government's intention to use the licensing regime to promote the development of small enterprises and the advancement of HDSA in the petroleum distribution sector (RSA 2003). The introduction of the amendment Act prompted the termination of the Rationalisation Plan.

According to the RSA (2003) the purpose of the sector specific policy framework is to achieve the following objectives:

- Promote an efficient distribution petroleum industry;
- Facilitating an environment conducive to efficient and commercially justifiable investment;
- The creation of employment opportunities and the development of small businesses in the petroleum distribution sector;
- Ensuring countrywide availability of petroleum products at competitive prices;
- Promoting access to affordable petroleum products by low-income consumers for household use; and
- Transform the petroleum distribution sector (RSA 2003: 8).

The reviewed literature relating to the South African Petroleum Distribution has resulted in the following research question:

Research Question 3: How effective has the sector specific policy framework in creating conducive environment in the petroleum distribution industry in South Africa?

Research Question 4: And how effective has the sector specific policy intervention been in addressing the salient attributes that hinders the emergence and success of SMEs in the sector?

2.9 Other Socio-Economic policy frameworks

This section examines a range of mainstream public policies that impact directly on SMEs. These policies influence the start up of new businesses and the performance of small businesses once established. They are frequently not policies over which the main SME department of government exercises any direct control. However, if the main SME department of government is given targets relating to the start-up and performance of new and small firms, it is these policies which may have an equally strong, or even stronger, influence on whether these targets are achieved.

The role of this sub-section is to identify these policies and to review the evidence on the impact of these policies upon SMEs in the petroleum distribution sector. The policies that will be reviewed are categorised into the following six broad socio-economic policies:

- Macro policies that are developed to create a stable economic environment, with low inflation, interest rates and unemployment;
- Taxation;
- Unemployment benefits;
- Business regulation policies (licensing policies);
- Immigration/emigration policies; and
- Competition and public procurement policies

2.9.1 Macroeconomic policies

There is evidence that variations in entrepreneurship and SMEs' activities are linked to changes in the macro economy. Shane (1996) shows that rates of entrepreneurship and SME development, in the United States over the period 1899-1988, were clearly lower during times when interest rates were high. Cullen and Gordon (2002) also find the same result for a later period in the United States. Both studies attribute this to small business owners incurring higher borrowing costs at times of higher interest rates. However, a different specification of Shane's measure of entrepreneurship leads to interest rates being non-significant, but being replaced as significant by economic growth, implying that entrepreneurship and small business development is higher in times of prosperity.

The role of macro economic conditions upon self employment rates have also been examined by Parker (1996). He also found that self-employment was inhibited by higher real (excluding inflation) interest rates. Interestingly, Parker also implies that self-employment is higher during periods of economic stability, since he finds the self employed to be deterred by risk during periods of economic instability.

It is not only the absolute scale of macroeconomic variables such as inflation, interest rates and growth, their predictability also influences the actions and behaviour of the small business owner. The former Chief Economist at the World Bank, Joseph Stiglitz[2], viewed macroeconomic predictability as delivering a valuable boost to entrepreneurship in the developing world.

The above appears to imply that entrepreneurship is enhanced by benign macroeconomic conditions, and it might therefore have been expected that UK small firms would have performed better during the period 1970-2005, than during the more turbulent economic times of 1991/7 (Parker and Robson 2004). However Cosh, Hughes and Storey (2006) do not find this to be the case. Six years survival rates of SMEs are marginally higher (59.5% compared with 56.4%) in the earlier period and employment growth rates among survivors were significantly higher (3.4%, compared with 2.2%).

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[2] He was significantly less persuaded that the other two elements of what he called the Washington consensus – privatization and trade liberalization – had made much contribution to the economic development of low income countries. These comments are reported in an interview with Multinational Monitor, April 2000 (http://multinationalmonitor.org/mm2000/00april/interview.html).

Despite the Cosh et al (2006) findings, the bulk of the evidence suggests that a benign and predictable macroeconomic environment of high aggregate demand, low inflation and low interest rates is one in which SMEs is most likely to prosper.

2.9.2 Taxation policies

A key distinction is made between the impact of income or personal taxes and that of business taxes. Bruce (2000) argues that in matters relating to taxation on income, employees and the self employed differ in three important respects. First, whilst employees have their tax removed at source by their employer, the self-employed declare their income to the tax authorities. Second, the employee pays tax immediately, whereas the self-employed pay in arrears, normally at the end of a financial year. Thirdly, those who are self-employed are able to claim expenses against their income on a scale not normally available to the employee. These three differences offer potential financial benefits to the self-employed that are not available to the employee and might therefore influence an individual's choice in favour of self employment (Bruce 2000).

Given that most individuals would choose not to pay taxes but still receive the public benefits, it is expected that lowering tax rates for self-employed or raising taxes on employees lead individuals to a shift to self employment. In support of this, Schuetze (2000) finds that increases in average income tax rates have large and positive effects on self employment in Canada between 1983-94. For Sweden, Folster (2002) finds that reducing the tax burden by 10% (of GDP) would increase the share of the self employed in employment by about 3%.

Davis and Henrekson (1999) argue that Sweden's high business tax regime explains that country's low rates of new firm formation over several decades. They argued that the combination of high corporate tax rates combined with generous provisions for accelerated depreciation meant the key beneficiaries were larger firms with heavy capital investment. By implication, those penalised were new businesses and small businesses with modest tangible assets. They also support the view of Schuetze (2000) that high personal taxes depress rates of entrepreneurship.

However, both Robson and Wren (1999) and Bruce (2000) draw an important distinction between changes in the average, and changes in marginal, rates of taxation. They find that lowering marginal rates of tax increases the efforts of the self-employed. This is because the self-employed have more opportunity to vary their input, in terms of effort and/or hours worked, than employees. They thus retain more for themselves by working the marginal hours. In contrast, lowering average tax rates reduces the potential gains to the self-employed from evasion and so reduces the differential between paid and self-employment. It is because of the offsetting influences of these two factors that more recent empirical evidence of changes in income taxes upon self-employment has become less clear.

Robson and Wren (1999) show, using simple bi-variate analysis, that countries with high marginal and high average tax rates like Denmark, the Netherlands, Finland and Germany had low rates of self employment between 1978 and 1992. But, when a range of other factors are taken into account they generate their key result that high marginal rates decreases self-employment because this leads to reduced “effort”, whereas high average rates increase self-employment because of the greater opportunities for evasion.

Schuetze and Bruce (2004) conclude that the evidence of the impact of taxation on self-employment is now less clear. They identify several studies pointing to higher (marginal) taxes increasing self-employment because of risk. The logic underlying such a finding is that an individual may be more willing to enter high risk self employment if they know that, in the event of failure, they will be able to offset any losses against tax. The fact that self-employment seems to increase with income tax rates calls into question the common view that higher taxes hamper self-employment (Schuetze and Bruce 2004).

The above discussion has focused exclusively on the impact of income taxes, but governments also impose business, VAT and inheritance taxes, all three of which may influence the behaviour of small businesses and their owners. For example, Michaelas, Chittenden and Poutziouris (1999) showed that taxes which were levied on small company profits were likely to lead to lower growth rates, since the retained profits were the prime source of funding for small company investment.

A second review on taxation is by Bjuggren and Sund (2005). They speculate on the impact of a policy change in Sweden in 2005 to abolish gift and inheritance tax. They report that the previous system was slow and expensive to administer, and encouraged practices which were on the margins of legality.

This might suggest that the economic case for inheritance tax is weak if there were advantages to the economy as a whole of inter-generational business transfers. Unfortunately this case has yet to be made (Westhead and Cowling 1998). Early analysis pointed towards no significant differences between the performance of first and second generation family businesses (Westhead and Cowling 1997), implying there were no spill over gains from lowering inheritance taxes.

Overall, the above suggests that a simple relationship between low rates of taxation and an entrepreneurial economy does not exist. Instead, the nature of taxation influences the behaviour of individuals both in their choice of employee or self-employment status, and in their choice as business owners. It also influences their efforts as a self-employed person.

Key decisions on tax policy are rarely made by the department of government responsible for enterprise. Such decisions are almost always made by the Ministry of Finance together with the South African Revenue Services (SARS), with often only modest contribution (if any) from the main SME department.

2.9.3 Unemployment benefits policies

A third example of macro policies influencing entrepreneurship and small businesses is the decision made by government on the real value of state support provided to individuals who are unemployed. The broad evidence is that in those economies where individuals who become unemployed receive a high proportion of their formal wages, new business development rates tend to be lower. Nickell (1997) found that, in the mid 1990s, the benefit replacement ration was 90% in Denmark, compared with 20% for Italy and 30% for New Zealand. Parker and Robson (2004) show that this replacement ration had a significant impact upon self employment in countries such as Australia, Canada, Ireland, United Kingdom, Norway, France, Spain and USA between 1972-1993.

However, the factors influencing the choice of an appropriate unemployment benefit ration are likely to be driven primarily by concerns of social justice. In such debates, factors such as entrepreneurship are likely to play a comparatively small role. For this reason, the SME department is likely to have only a very modest voice, even though the decision reached exercises a powerful influence on new business development rates.

2.9.4 Business regulation policies

The influential work by Djankov, La Porta, Lopez-de-Silanes and Schleifer (2002) has shown there are wide differences between countries in terms of both the money and time taken to establish a "standard" business. Djankov et al. (2002) linked the cost and time of starting a business to economic variables and concluded that countries with heavier regulation of entry have higher corruption and larger unofficial economies, but not better quality of public or private goods.

The inference was clear that lowering the costs and time taken for starting a business would yield significant economic and political benefits. Both developed and less developed economies have responded to these findings. The World Bank now has a Doing Business Website which provides comparable data on this topic for 183 countries. The indicators used for data collection in the Doing Business Website are shown in Table 4.

Based upon these indicators a country ranking in 2010 is produced for all 183 countries. Table 4 reproduces this ranking, but only for countries similar to South Africa in terms of Income per capita. The number of indicators on the left hand side shows the countries' rankings in terms of the 183 countries in the study.

Table 4: The indicators
☞ **Starting a business:** Procedures, time, cost and minimum capital to open a new business.
☞ **Dealing with licenses:** Procedures, time and cost of business inspections and licensing.
☞ **Hiring and firing workers:** Difficulty of hiring index, rigidity of hours of index, difficult of firing index, hiring cost and firing cost.
☞ **Registering property:** Procedures, time and cost to register commercial real estate.
☞ **Getting credit:** Strength of legal rights index, depth of credit information index.
☞ **Protecting investors:** Indices of the extent of disclosure, extent of director liability and ease of shareholder suits.
☞ **Paying taxes:** Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit.
☞ **Trading across borders:** Number of documents, number of signatures and time necessary to export and import.
☞ **Enforcing contracts:** Procedures, time and cost to enforce a debt contract.
☞ **Closing a business:** Time and cost to close down a business and recovery rate.

Source: World Bank "Doing Business" database, 2010

[3]

South Africa is number 6 in terms of the ease of doing business when compared to countries in a similar income per capita category. This category has 42 countries with similar income levels as South Africa. However, South Africa ranks a mere 34 when all the countries are included in terms of ease of doing business.

Table 5: Ease of Doing Business ranking

1	Mauritius
2	Malaysia
3	Lithuania
4	Latvia
5	Macedonia, FYR
6	South Africa
42	Venezuela, R.B

Source: World Bank "Doing Business" database, 2010[4]

The impact of this research by the World Bank has been considerable, with many developed countries reducing both the number of permits required to start a "standard" business, and the minimum time needed to obtain such permits. These changes are reflected in

Table **6**. It shows the 1999, 2004 and 2007 data for the above two measures for France, Spain, and Italy.

All three of these countries have substantially reduced the duration and complexity of starting a business. The number of days it took to start a business in France in 2007 was eight, compared with fifty-three previously. A similar substantial reduction has also taken place in both Italy and Spain.

Nevertheless it is also interesting to note that, despite the improvement in Spain, Italy and France, all three of these countries continue to have significantly more procedures, which take longer to complete than, for example, Canada. Currently, the latter has two procedures and the business may be established in three days.

Given that the procedure for doing business creation has been accelerated considerably in many countries it is unsurprising that such countries have seen a rise in the number of new firms that have been created (Djankov et al. 2002).

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[3] http://www.doingbusiness.org/economyrankings/
[4] http://www.doingbusiness.org/economyrankings/?IncomeId=3

Table 6: Starting a business in 1999, 2004 and 2007: Indicators for France, Italy and Spain

	Number of procedures [1999 data, followed by 2004, followed by 2007]	Duration in days [1999 data, followed by 2004, followed by 2007]
France	15, 7, 7	53, 14, 8
Italy	16, 9, 9	62, 13, 13
Spain	11, 10, 10	82, 47, 47

Source: World Bank "Doing Business" database, 2010[5]

Capelleras, Mole, Greene and Storey (2008) point out that on the face of it, speeding and simplifying the procedures for business creation seems to be a highly beneficial policy. However, if businesses are more easily created, these new firms constitute a competitive threat to existing businesses, compelling the latter to compete or to go out of business. A second advantage is that, in some instances, the business licensing procedure is the focus of corruption, with those paying bureaucrats obtaining their licenses more quickly. The elimination of such corruption has considerable and wide ranging social and economic benefits (Djankov et al. 2002).

Djankov et al (2002) states that, as with most legislative change, there are some important contrary arguments. First, the prime function of the business registration process is to provide the basis for the protection of consumers from fraudulent or incompetent business owners. Nobody would suggest that untrained doctors or surgeons should be allowed to practice, and registration provides the basis for the minimum check of the qualifications and track record of such individuals emphasised (Djankov et al. 2002).

Like doctors, both driving instructors and electricians could kill those in their charge, so raising the question of whether the same business licensing/regulations are appropriate for all three types of business. If not, then this raises the supplementary question of the nature of appropriate differences, and on what basis should such differences exist. Extending the argument, there is a general desire to be protected from the financially unscrupulous. We might view it to be the role of government to ensure that rogues are identified and prohibited from trading. Again, registration is a minimum condition for identifying such individuals. In short, whilst all might agree that superfluous business licensing is undesirable (Djankov et al. 2002), there might be

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[5] http://www.doingbusiness.org/customquery

fewer consensuses on the balance between the interests of those in the business community and consumers or others in society.

Second, the impact of reducing the time and cost of business licensing may be less than might appear from an examination of official data on new business development. The reason for this is that regulation is likely to have a much bigger impact upon the number of “registered”, than the number of “actual”, new firms (Djankov et al. 2002).

Baumol (1990) famously argued that the total number of individuals acting in an entrepreneurial manner varies little over time and space. Where it does vary is in its distribution between productive and unproductive activities. Baumol (1990) argued that there was never an absolute shortage of entrepreneurs, merely that different countries at different times generated incentive structures that encouraged unproductive activities. Therefore, the prime effect of making it easier to start a business was to convert those individuals currently in business in the informal economy to become part of the formal economy (Djankov et al. 2002; Capelleras et al. 2008). So, observed changes in the number of official new businesses will include many that were previously contributing to economic welfare, but as part of the informal economy. Observing only the number of businesses in the formal economy may therefore lead to inflating the significance of reducing the licensing burden (Djankov et al. 2002).

There is some evidence for this outcome. The first draws upon comparisons between England and Spain. Capelleras et al*.* (2008) show there are marked differences between heavily regulated Spain and lightly regulated England. They show that, when only registered firms are examined, the Spanish firms, as would be expected, start larger and grow more slowly than the English firms. Inclusion of all firms, however, leads to these differences disappearing. This implies that the prime impact of licensing is to influence the distribution of enterprises between the formal and the informal sectors, rather than influencing the total number of enterprises.

The evidence overall therefore is that most developed countries have sought to reduce the bureaucratic burdens and costs of starting a business (World Bank 2010). Where this serves to generate competition and to reduce corruption it is clearly highly desirable. However in making these changes, politicians have to be aware of the importance of adequately protecting the consumer (Djankov et al. 2002). They also have to recognise that such actions may have their prime impact upon “converting” businesses from the informal to the formal sectors, rather than adding totally new businesses to the economy.

Again, business licensing is not normally the responsibility of the enterprise department. It is even less likely that the SME Department will be responsible for enterprise compliance with environmental or employment legislation. Understandably the prime focus of the departments of government that are responsible for this legislation is to introduce and enforce it. Yet, a consistent finding is that unit compliance costs are much higher for firms with less than 20 workers than for larger firms, and that the average time spent by small businesses normally the owner on administration and compliance activities is 16 hours per week and considerably more than the top person in a larger organisation (Capelleras et al. 2008). Yet, this is of secondary significance to those departments of government charged with the responsibility to enforce legislation. Indeed smaller firms, partly because of their higher compliance costs, are likely to be a prime target for the enforcing departments.

Public policy in this area therefore has to balance the interests of three parties: consumer, (small) business and society as a whole. There are occasions when each of the three parties view themselves as disadvantaged, but the minimum condition for addressing these issues is the presence of a forum at the top level in government at which such matters are debated. The critical lesson to be taken from this policy area is that evaluation has to seek to highlight evidence leading to more informed decisions. What is clear is that, whilst business de-regulation is favoured by the business community, the magnitudes of the overall economic benefits are still being questioned by some scholars.

2.9.5 Immigration/emigration policies

The movement of people across national borders has major influences upon SME development in both host and donor countries (Andersson and Wadensjo 2004). The impact upon the host countries has been more extensively studied than the impact upon the donor countries. For centuries, people have travelled across national borders to start businesses. Often the motivation was negative, in the sense of escaping from religious or other forms of persecution. Whilst it is not always the case, there are many instances where immigrants are self-selected samples of enterprising individuals prepared to leave their homeland to seek an improved life for themselves and sometimes for their families.

New immigrants often enter self-employment because of the difficulties of obtaining, waged employment. Andersson and Wadensjo (2004), provide evidence of this wage gap between immigrants and natives, even taking account of human capital differences.

Immigrants are often a mixture of the highly skilled and the unskilled. What is clear for the skilled is that many have channelled their entrepreneurial energies into starting high tech enterprises, which draw upon the skills these individuals, have acquired from education. A study by Saxenian (1999) shows that about one third of the high skilled workforce in Silicon Valley, California, USA was born in either India or China, and came to the area initially to study. Saxenian (1999) says in 1998 Chinese and Indian engineers were senior executives at one quarter of Silicon Valley's new technology businesses. These immigrant-run companies collectively accounted for more than USD 16.8 billion in sales and 58 282 jobs in 1998. Moreover, Chinese and Indian immigrants started companies at an increasing rate in the 1990s (Saxenian 1999). It is likely that similar economic activity is currently taking place in many countries around many other large universities just like in California.

This emphasises yet again, that there are wide range of public policies: this time education and immigration play a key role in influencing the scale and nature of entrepreneurship in a country. Again, this causes serious problems for departments of government responsible for delivering the enterprise agenda, but where the policy instruments are under the control of another department.

As noted earlier there may also be benefits from entrepreneurship to the donor countries. Those leaving will often either send home remittances to their family or may return home to establish a business after a period abroad. McCormick and Wahba (2001) show that among literate Egyptians, business ownership upon return is more likely among those with savings accumulated overseas and those who have spent a longer period abroad. On the basis of their evidence, they argue that losses to the donor countries of enterprising individuals who migrate to work in more prosperous economies are perhaps only temporary. Indeed, it is the overseas work experience that provides individuals with a range of skills that they would never have accumulated by staying in their home country. It should be noted that their results do not apply to individuals who are illiterate.

This finding also explains the active campaigns run by governments seeking to persuade those who have emigrated to return home, often with the intention of starting a business. High profile campaigns have, for example, been run in countries such as Scotland, New Zealand and South Africa. What is less clear is the performance of those businesses started by returnees. In the absence of any collected evidence it seems likely that many will be “life-style returners” since, if they were highly successful in their host country, it is much more likely that they would have stayed there. However, such evidence is yet to be presented.

In lower income countries, remittances can play an important role in supporting home businesses. This is confirmed in a study of remittances in Moldova. Here Ghencea and Gudumac (2004) find that, whilst the number of business activities practiced by the migrant families has not increased, their scale has risen. They are larger and more profitable than before the migration took place. Overall it is clear that the migration of individuals across national borders is, and always has been, a major source of entrepreneurship in the host countries. Recent research suggests it may also exert a positive influence upon SMEs and economic development in the donor countries, but this is more ambiguous. However, whilst immigration generally exerts a positive influence on SMEs in the host countries, decisions made on immigration take a wide range of, frequently non-economic, factors into account. This often means that immigration rates are lower and much more selective than if only issues of SMEs and entrepreneurship were taken into account.

2.9.6 Competition and public procurement policies

Governments can also exercise a very powerful direct and indirect influence upon SMEs through their competition and markets policies. This section discusses each of these in turn.

Most governments, like South Africa have policies to ensure that markets are competitive. Competition, however, must be fair and not abuse market power. Given the nature of SMEs, it is much more likely that they will be the abused party than is the case for larger firms (Storey 2005). In this sense SMEs might seem to be the obvious beneficiary from policies intended to ensure markets are fairly competitive.

Storey (2005) pointed out that in practice many SME owners are unlikely to be easily persuaded that competition policy is in their best interests for the following reasons:

- Many recognise that enhancing competition could undermine the viability of their own business. Instead they may view the objective of competition policy as seeking to improve benefits for consumers rather than for producers.
- Many SME owners are fundamentally suspicious of all aspects of government, and will view any policy changes as yet another “burden”.
- Many SME owners, even if affected by unfair competition, will be unaware of their rights of appeal. In cases where they are aware of their rights, they often cannot afford the costs or the time out of the business to pursue their claim.
- Many SME owners will not be able to distinguish between competition which is fair, but damaging to them, and that which is unfair.

The crucial word in the above paragraph is “many” because it emphasises the difficulty of making generalisations about the heterogeneous SME sector. The evidence shows that SME owners, who are educated, well informed and running growing businesses in “modern” sectors are likely to respond to issues of fair and unfair competition in a different way from owners without these characteristics (Storey 2005). The former are more likely to be competitive, to be able to distinguish between fair and unfair competition and to be prepared to take action where that competition is thought by them to be unfair. Those without these characteristics are much more likely to ignore such practices and accept them as part of the “cut and thrust” of business life. However, it is not only by examining the competitive framework in which SMEs themselves operate that competition policy can provide benefits for smaller firms. Instead, SMEs also need to be reassured that there is competition among their suppliers.

In this context, a key role for government is to ensure that the market for SME finance is competitive. The UK government, for example, has been particularly concerned to ensure the monitoring and review of the marketplace for the provision of banking services for SMEs (Michaelas et al. 1999). This is because the market is dominated by four large financial institutions, whose market share for some services, and in some geographical areas, can be close to 90%. In that situation, there could be collusion to drive up prices and raise profit levels.

Finally, governments themselves are a major market for some SMEs and could be a major market for many more. Morand (2003) states that, whilst SMEs provided about 65% of private sector sales in the EU, their share of public contracts won directly (excluding sub-contracting) is less than 25%.

It can be argued that this imbalance is a natural outcome of the marketplace. Hence the reasons for SMEs low share argues Morand (2003) are firstly that many projects are too big for SMEs to bid for. Second that, since governments place a greater premium on reliability than (some parts of) the private sector, this also places new and small firms at a disadvantage. Thirdly, the tendering procedure reflects the objective of the government to minimise any risk to itself. By imposing high, almost fixed application costs, this provides a competitive advantage to large firms (Storey 2005). This is because they are more likely to be able to spread the fixed costs over many applications, an option which is less likely to be available to the small firm.

The effect is that it is more risky for governments to commission SMEs for public sector work. To address this, government seeks to provide itself with “safeguards”, such as firms having to register and be vetted, yet it is these “safeguards” that disadvantage the SME (Morand 2003: 310). A decision therefore has to be made, taking account of the interests of the taxpayer, whether to seek to increase the role of SMEs in public procurement. To achieve this would require a sharp fall in application costs for SMEs and recognition that this may increase the risk that some contractors will fail to deliver and others may be dishonest. The extent of that risk is difficult to determine in advance.

After undertaking such reviews, governments in many countries have sought to ease the barriers which SMEs experience in bidding for government contracts. To achieve this, argued Morand (2003), a number of policies have been implemented. First, countries such as Canada, India, and South Africa have targets or “set asides” by which a proportion of public expenditure is delivered by SMEs. Alternative approaches include pressures on public agencies to ensure that public programmes are delivered in smaller “chunks” to enable SMEs to bid for them more easily. Thirdly, governments have sought to reduce both the complexity of the application forms and to ensure that similar information only needs to be logged once with government, irrespective of the department commissioning the work.

All these initiatives, whilst seemingly mundane, do make a real difference to the ability of the SME to make informed tenders for government work and seek to reduce their disadvantage relative to larger firms.

Overall therefore governments, through their competition and markets role can be strong influences upon the performance of the SME sector. Therefore, the research question that emanates from the literature discussions above is as follows:

Research Question 5: How effective has the socio-economic policy framework been in making it easy for SMEs in the petroleum distribution sector to do business in South Africa?

2.10 Conclusion of Literature Review

The literature review has provided a broad overview of public policy analysis with specific emphasis on policy evaluation. The review revealed that evaluation should be viewed as vital in order to ensure that optimum benefits are derived from the SME policies or any policies. Thus, policy evaluation should be seen as an essential component of any SME policy, because of its capability to enable a greater understanding of:

a) The impact of the policies, by considering the outcomes of the policy; and/or
b) How the policy may be improved, on the basis of its effectiveness and efficiency.

The discussion on policy evaluation indicated that for evaluation to be part of SME policy there needs to be a process of reflection about the policy and how it has worked. This will include lessons about what has not worked well, as these can be valuable in avoiding difficulties which may inhibit the effectiveness of the policy. An overview of the policy evaluation as a policy analytic tool was discussed in Section 2.5. The literature review also discussed the broad SME policy framework as defined by the Department of Trade and Industry. This discussion revealed the policy objectives which will be evaluated in Chapter 5. However, the overall aim of government developing the SME policy is to create an enabling environment for the development and sustainability of SME. This policy framework was discussed in details in Section 2.6.

The sector specific policies under the direct control of the Department of Energy as the sector department in the petroleum distribution sector was also analysed. The discussion of the sector specific policy objectives was necessary since some of the specific policy objectives are not explicitly stated in the broad SME policy framework. The sector specific policy review took place in Section 2.7.

Lastly, the literature review assessed other government policies that influence SMEs which are delivered by departments of government that do not view themselves as having SMEs as their prime, or perhaps even their partial focus. The review revealed how other national policies such as those dealing with taxation, business registrations and unemployment benefits can impact on the success and failure of SMEs. These non-SME policies are discussed in detail in Section 2.5 of this chapter.

The cross-disciplinary review involved the consultation of material from disciplines including public policy evaluation, SME policies, economics, politics, social policy and social sciences, and public policy theory. The research questions formulated throughout the literature review have been stated at the end of each relevant section, and are listed together here for clarity and ease of reference.

Research Question 1: What are the broad SME policy objectives in South Africa?

Research Question 2: How have the broad SME policy objectives in South Africa been effective in promoting and developing conducive environment for SMEs in the petroleum distribution sector to grow and be sustainable?

Research Question 3: How effective has the sector specific policy framework in creating conducive environment in the petroleum distribution industry in South Africa?

Research Question 4: And how effective the sector specific policy intervention been in addressing the salient attributes that hinders the emergence and success of SMEs in the sector?

Research Question 5: How effective is the socio-economic policy framework in making it easy for SMEs in the petroleum distribution sector to do business in South Africa?

CHAPTER THREE: EVALUATION RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the evaluation methodology that was followed to address the research questions that were put forward in the Literature Review in Chapter 2. It addresses the methodology used in conducting this evaluation research, the kind of data required, where data was sourced, how data was analysed as well as how validity and reliability were addressed. This will go a long way in addressing the complexities of evaluation research that Rossi and Freeman (1993) pointed out. These complexities are the consequences of the volatility of social programmes for evaluations, the strain between a press for evaluations to be “scientific” on the one hand and “pragmatic” on the other, and diversity in evaluation outlooks and approaches (Rossi and Freeman 1993: 27).

It is crucial to understand what evaluation research methodology is and how should it be conducted. John (2005) points out that policy orientated research uses methods that are attune to the highly variable relationships that occur within the decision making process. Policy sectors vary according to the instruments and resources available to decision-makers. According to John (2005: 6) instruments that policy makers use can be either “legal”, that is laws that compel people and organisations to do things; “financial”, allocating funds to encourage or penalise organisations and people; “organisational”, by applying of bureaucratic power to solve problems; or “personal”, by persuading others to achieve goals.

According to Bailey (1994), methodology refers to the philosophy of the research process. He asserts that methodology encompasses every aspect of research in the sense that if one intends cooking or roasting meat one will know which methodology to follow and what steps and ingredients to put together to achieve one’s aim. From another perspective, Singleton and Straits (2004) explain research methods as the study of ways of understanding the world. To clarify further research methodology, Brynard and Hanekom (1997: 28) explain the strategy for research as:

- Indicating the “methods of data collection”.
- Indicating the “techniques for data collection” and data analysis.
- Indicating the “process” to be followed during the research.
- Helping the researcher “to execute the research”.

Indeed, this is what this is the strategy that this chapter seeks to discuss for this research study.

3.2 Evaluation Research

Evaluation research, sometimes called policy, programme or project evaluation, refers to a type of research rather than a specific research method (Babbie 2001). Owen (2006: 23) suggests that there are four likely objects for evaluation. First, evaluation research is conducted on public “policies” to ascertain their impact to the stakeholders. Secondly, evaluation is conducted on specific “programmes” to determine their efficacy. Thirdly, evaluation is carried out on “products” to help users to make decisions on the best product or improvement of the product. Lastly, evaluation is conducted on “individuals” to help gather evidence on their performance, e.g. during performance assessment.

Social scientists sometimes speak of social intervention which is often expressed in complex policies of action (Bless and Achola 1990). Policies can be considered as the most pervasive form of social intervention. But the relevance, the adequacy and the success of such policies must be assessed - this is the main aim of evaluation research (Bless and Achola 1990). Evaluation research concerns itself with determining whether a social intervention, policy, or programme has produced or not produced the intended result (Cloete and Wissink 2000). The importance and the necessity of evaluation is evident, be it when developing a policy and planning the different steps and methods to reach the goal of the project, or when the project has been carried out and its effects on social reality have to be assessed (Bless and Achola 1990).

In this research, policy evaluation is defined as the use of social research procedures to systematically investigate the effectiveness of social intervention policies (Rossi, Freeman and Lipsey 2004). Patton (1997) defines policy evaluation as the systematic collection of information about the activities, characteristics, and outcomes of programmes for use by specific people to reduce uncertainties, improve effectiveness, and make decisions with regard to what those programmes are intended for and affecting.

Evaluation research is a specific form of applied research that is intended to have some real-world effect. However, what differentiates it from other forms of research is the social and political context in which these methods are applied (Singleton and Straits, 2004). Stakeholders (e.g. policy-makers, funders, programme planners and managers, taxpayers, and programme beneficiaries) have the right to know whether the financed and supported public programmes and policies are properly implemented, and whether these are generally effective in meeting the policy goals and outcomes. Bailey (1987: 438) argues that stakeholders need answers to the following questions:

- Is the intervention reaching the appropriate target population?
- Is it being implemented in the ways specified?
- Is it affective?
- How much does it cost?
- What are the costs relative to its effectiveness?

Providing the answers to these questions is at the heart of what evaluation research is all about (Rossi, Freeman and Lipsey 2004). Consequently, the purpose of this evaluation research is to provide answers on the effectiveness of SME policy framework in the petroleum distribution sector in South Africa.

3.3 Evaluation Approaches

There are different types of approaches evaluators adopt when conducting policy evaluations. As discussed in section 2.5.3, the approach adopted for this research is the formal evaluation approach. Table 2 in Chapter 2 provides a brief aim, assumptions and major forms of formal evaluation. The aim and assumptions of formal evaluations as outlined in Chapter 2 is applicable in this research. However, this research will be a retrospective outcome evaluation of the SME policy framework conducted by analysing the policy objectives and goals.

The formal evaluation research is categorised into two types, the summative evaluation and the formative evaluation (Dunn 1994). Summative evaluation focuses on the outputs or an outcome achieved by the policy, and is sometimes called impact evaluation. This may be done through assessing the post-policy destinations or behaviour of participants or the cost-effectiveness of policies. It often requires as assessment of what would have happened if the policy had not been in place. Whereas formative evaluation or process evaluation assesses the process through which the SME policy objectives have been designed and implemented, in order to identify ways in which improvements to how the policy is delivered can be introduced. It can explain how, why, and under what conditions a policy worked, or failed to work. The findings of a formative evaluation process can provide valuable feedback on issues such as the planning and design of programmes to assist SMEs. For example, the evaluation may ask whether the policy is fulfilling its objectives and reaching those who were originally identified as intended beneficiaries.

It was reviewed in Section 2.5 that both types of evaluations are most applicable when the formal approach to policy evaluation is adopted. Therefore, the approach used in this research is the formal approach, which incorporates both summative as well as formative evaluation. The evaluation has been designed to capture data which will fulfil the requirements for both summative and formative evaluations as will be demonstrated in Chapter 5.

3.4 The Research Methodology

Evaluation research is not itself a method, but rather one approach to social research methods (Babbie 2001). There is no single approach to the evaluation (Dunn 2004) of SME policies, and therefore no single model which can be applied in all situations. It is more appropriate to think of evaluation in terms of a range of options or tools which can be selected and used according to the objective or policy being assessed. Clearly, factors such as the level of resources, both financial and professional time, which can be allocated to the evaluation, and the timescale within which results are required, need to be taken into account in deciding on the most appropriate research methodology.

Brynard and Hanekom (1997) suggest that there are two basic methodological research methods in human sciences research. These are qualitative and quantitative research methodologies and can be used effectively in evaluation research. However, the most effective research is one that combines quantitative and qualitative elements, argues Jick (1979).

Before choosing an appropriate methodology for this evaluation research, Table 7 presents features of both qualitative and quantitative research methodologies. There is no doubt that combining both methodologies can assist in creating the necessary balance in knowledge required to develop policy evaluation research as both a science and an art. However, given the nature, scope and purpose of this research, the design adopted in this study is the qualitative evaluation methodology, and this is further discussed in section 3.5.

3.5 Qualitative Evaluation Methodology

The research problem required the researcher to evaluate the effectiveness of the SME policy framework in the South African Petroleum Distribution Sector. This research follows a formal qualitative evaluation approach. Qualitative evaluation, and the techniques (discussed in Section 2.5.3) associated with it, enable issues to be explored in greater depth by seeking to gain a better understanding of the perceptions and attitudes of policy participants and/or those delivering the policy objectives or programmes (Creswell 2008). In particular, it may be used to identify shifts over time in attitudes to SME development. It is also highly appropriate for process evaluation, through gaining the views of participants and delivers on how the policy or programme has been implemented, and how improvements can be made.

Table 7: Features of both qualitative and quantitative research methodologies

Qualitative	Quantitative
"All research ultimately has a qualitative grounding" - Donald Campbell	"There's no such thing as qualitative data. Everything is either 1 or 0" - Fred Kerlinger
The aim is a complete, detailed description.	The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed.
Researcher may only know roughly in advance what he/she is looking for.	Researcher knows clearly in advance what he/she is looking for.
Recommended during earlier phases of research projects.	Recommended during latter phases of research projects.
The design emerges as the study unfolds.	All aspects of the study are carefully designed before data is collected.
Researcher is the data gathering instrument.	Researcher uses tools, such as questionnaires or equipment to collect numerical data.
Data is in the form of words, pictures or objects.	Data is in the form of numbers and statistics.
Subjective- individuals' interpretation of events is important ,e.g., uses participant observation, in-depth interviews etc.	Objective seeks precise measurement & analysis of target concepts, e.g., uses surveys, questionnaires etc.
Qualitative data is more 'rich', time consuming, and less able to be generalized.	Quantitative data is more efficient, able to test hypotheses, but may miss contextual detail.
Researcher tends to become subjectively immersed in the subject matter.	Researcher tends to remain objectively separated from the subject matter.

Source: Adapted from (the two quotes are from Miles & Huberman (1994, p. 40). *Qualitative Data Analysis*)

3.6 Qualitative Evaluation Methodology

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The intent of qualitative evaluation research is to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants' point of view (Leedy and Ormrod 2005). At the same time, qualitative researchers are interested in understanding what those interpretations are at a particular point in time and in a particular context (Merriam 2002).

Leedy and Ormrod (2005: 133) stated that all forms of qualitative research have two things in common: “first the focus is on phenomena that occur in natural settings, i.e. in the real world, and secondly the phenomena are studied in all their complexity” and multiple facets. The interpretive paradigm allows this explanation of individual worlds, which is subjective and dependent on the individual’s social construct and personal experience. Leedy and Ormrod (2005: 96) identify the following specific characteristics of qualitative research that also apply to this study:

- The research process has the potential to reveal “unknown variables”;
- It “explores and interprets” situations;
- Participants will be able to express their “personal views”; and
- The sample size is “small and semi-structured questions” will be used to guide discussions and collect data.
- The researcher “acknowledges that analysis is subjective and potentially biased”.

Qualitative researchers often start with general research questions rather than a specific hypothesis or proposition and collect an extensive amount of secondary data in the form of a literature review. The data is organised into a coherent format and the researcher uses verbal descriptions to portray the situation he or she has studied. A qualitative study is more likely to end with tentative answers about what was observed and these tentative hypotheses may form the basis of future research (Leedy and Ormrod 2005).

This study uses qualitative evaluation research to understand the personal views and feelings of SMEs on the effectiveness of the SME policy framework and this requires an interpretive paradigm. A basic interpretive and descriptive qualitative study exemplifies all the characteristics of qualitative research (Merriam 2002). This means that the researcher is interested in understanding how participants make meaning of a situation or phenomenon, this meaning is mediated through the researcher as instrument, the strategy is inductive, and the outcome is descriptive (Merriam 2002).

Qualitative research enables the use of an inquiry process (Merriam 1998; Leedy and Ormrod 2005) of understanding based on distinct methodological traditions of inquiry that explores a social or human setting, as it enables issues to be investigated in greater depth (Creswell 2008). This is especially important when conducting formative evaluations, where perceptions of the way in which specific SME policies has been delivered, and its subsequent usefulness and value need to be examined in detail. The key to understanding qualitative research lies with the idea that meaning is socially constructed by individuals in interaction with their world (Merriam 2002), with as little disruption of natural setting as possible (Merriam 1998).

This research draws on classified government documentary evidence, in-depth focus group interviews with participating SMEs, interactions with policy makers and observations to answer the research questions. In conducting this qualitative evaluation study, the researcher sought to discover and understand a phenomenon, a feeling, the perspectives and worldviews of the SMEs in the petroleum distribution sector.

3.6.1 Advantages of qualitative research

Miles and Huberman (1994) argue that the key advantage to qualitative research is that qualitative data is a source of well-grounded, rich descriptions and explanations of processes in identifiable local contexts. The focus is thus on naturally occurring ordinary events in natural settings. As a result of the rich explanations derived, good qualitative data is more likely to lead to new and breakthrough findings and, thus, the building of theory. In essence, qualitative data is best for discovery, exploring new areas of research, or developing hypotheses. According to Leedy and Ormorod (2005: 134-135) qualitative studies typically serve one or more of the following purposes:

- **Description –** They can reveal the nature of certain situations, settings, processes, relationships, systems or people.
- **Interpretation –** They enable a researcher to (a) gain insights about the nature of a particular phenomenon, (b) develop new concepts or theoretical perspectives about the phenomenon, and/or (c) discover the problems that exist within the phenomenon.
- **Verification -** They allow a researcher to test the validity of certain assumptions, claims, theories, or generalisations within real-world context.
- **Evaluation –** They provide a means through which a researcher can judge effectiveness of particular policies, practices, or innovations.

Lastly, qualitative research allows researchers to understand the meaning people have constructed about their world and their experiences (Merriam 2002). The qualitative research methodology has been adopted for this research, given that it provides means through which the researcher evaluates (judges) the effectiveness of the SME policy framework in the petroleum distribution sector.

3.6.2 Disadvantages of qualitative research

Miles and Huberman (1994) also highlight challenges a researcher could experience with qualitative methodologies. The most serious difficulty with qualitative research is that the methods of data analysis are not well formulated, which can place the validity and reliability of qualitatively derived findings in serious doubt. They also state that a big driver that works against the validity and reliability of qualitative research is the high possibility of researcher bias in data-collection and analysis.

Furthermore, there is the potential for a further level of bias from the interpretations that the people being studied give to the researcher. For these reasons and others, care and self-awareness are required on the part of the researcher. Rowley (2002) agreed that the ability of the researcher to collect and interpret data is a determinant of the reliability of the findings.

3.7 Research Design

There are many definitions for a research design, but no one definition imparts the full range of important aspects. Several examples from leading authors can be cited to highlight some important features of research design. Phillips (1971) states that research design constitutes the blueprint for the collection, measurement, and analysis of data. He argues that research design aids the scientist in the allocation of his/her limited resources by posing crucial questions on selection of the research techniques. “Are the methods of data collection and the research situation to be highly structured? Is an intensive study of a small sample more effective than a less intensive study of a large sample? Should the analysis be primarily quantitative or qualitative?” (Phillips 1971: 76).

Kerlinger (1986) defines research design as the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or programme of the research.

It includes an outline of what the researcher will do from writing hypotheses and their operational implications to the final analysis of data. A structure is the framework, organisation, or configuration of the relations among variables of a study. Kerlinger (1986) indicates that a research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem. The above definitions differ in detail, but together they offer essential ideas of a research design. First, the design is a plan for selecting the sources and types of information used to answer the research question. Second, it is a framework for specifying the relationships among the study's variables. Third, it is a blueprint that outlines each procedure from the research question to the analysis of data.

The methodological approach adopted for this research to support the formal qualitative nature of the evaluation is a combination both of content (secondary data) analysis, and a group interview (focus group) technique. Content analysis involved the review of relevant literature to decide on the appropriate evaluation methodology and to map the objectives of the prevailing SME policy framework as defined by the policies government has put in place to support South African SMEs in the Petroleum Distribution Sector, to provide the historical perspective and the inherent structural arrangement of the Petroleum Distribution industry, and brings the research question into perspective. Leedy and Ormrod (2005: 142) describe content analysis as "a detailed and systematic examination of the contents of a particular body of material for the purpose of identifying patterns, themes, or biases". In this research the content analysis was also carried out on the transcripts of the interaction between the researcher and the respondents and this was contrasted with the responses from the policy makers and the outcome of the literature review.

The qualitative approach in this research encompassed participatory knowledge claims, narrative design and focus group discussions using open-ended and facts based interview questions as a guide (Creswell 2008). Interviews are an essential source of studying evidence about human affairs (Yin 1984). These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insights into a situation (Leedy and Ormrod 2005).

Focus group interviews and public documents were used as the method of data collection. The Focus group as a group interview tool is a technique that is used in exploratory research where respondents are probed on topics in a relaxed environment to maximise the richness of the discussion and data collection (Creswell 2008). Focus group as a qualitative research technique is discussed in section 3.6.1. The proposed in-depth group interview was guided by a list of open-ended questions that focused on core themes (see Annexure A), in which the researcher asked identified respondents for the facts as well as for the respondents' opinions about events.

The advantages of in-depth group interview is that the researcher can shift focus as new data comes to light (Leedy and Ormrod 2005). However, the disadvantage is that the researcher, by nature of his or her presence, may alter what the respondents say and how events unfold (Leedy and Ormrod 2005). Creswell (2008) suggests that a further weakness of using in-depth interviews is that there are poor linkages between data collection and analysis. The author state that researchers merely transcribe large portions of recordings with little explanation or clarification and that there is no underpinning qualitative methodological approach.

However, Interviews can yield a great deal of useful information (Silverman 1993 quoted in Leedy and Ormrod 2005: 146), and the researcher can ask questions related to any of the following :

- "Facts (e.g. biographical information);
- People's beliefs and perspectives about the facts;
- Feelings;
- Motives;
- Present and past behaviours;
- Standards for behaviour; and
- Conscious reasons for actions or feelings";

Equally important are the outcomes of a semi-structured interview; interest and confidence levels are built up during the interview as familiarity grows; there is now the opportunity to interact face to face with the interviewer/researcher thereby getting better clarity or deeper understanding of certain issues; and the respondent can elaborate on some of their responses in the questionnaire (Barribal and White 1994).

3.7.1 Focus Group Interview technique

According to Krueger and Casey (2000) a focus group is not just about getting a bunch of people together to talk. A focus group is a special type of group in terms of purpose, size, composition and procedures (Krueger and Casey 2000). The purpose of a focus group is to listen and gather information. It is a way to better understand how people feel or think about the effectiveness of the SME policy framework (Morgan 1988; Krueger and Casey 2000). Participants are selected because they have certain characteristics in common that relate to the topic of the focus group (Morgan 1988).

In this research, the focus group was comprised of samples of SME participants in the petroleum distribution sector who are licensed to distribute petroleum products. This method enabled people to share experiences and draw out a range of views or perceptions, e.g. about the usefulness of a particular SME policy objective or the way it was delivered or implemented. Focus groups are very useful when conducting formative evaluations of policies or programmes (Patton 1997), as they can encourage participants in the groups to develop ideas for addressing shortcomings or problems and for improving the policy intervention or implementation (Morgan 1993). In this research, the researcher created a permissive environment in the focus group that encouraged participants to share perceptions and points of view, without pressuring participants to vote or reach consensus (Krueger and Casey 2000). A careful and systematic analysis of the discussions provided clues and insights into how effective the SME policy framework is perceived and evaluated (Morgan 1993).

Krueger and Casey (2000: 10-12) identified four characteristics of focus groups. First, focus groups involve people. Second, the people possess certain characteristics. Third, focus groups provide qualitative data. Finally, focus groups have a focused discussion. All of these characteristics were taken into consideration in selecting the SMEs that participated in this study, and this is what distinguished this research as a group research.

3.7.1.1 Advantages and Disadvantages of focus group technique

The primary advantage of the focus group interview as an exploratory research tool, is its ability to quickly and inexpensively grasp the core issues of a topic (Morgan 1988). Focus groups are brief, relatively inexpensive, and extremely flexible (Krueger and Casey 2000). The focus group interview conducted for this research provided the researcher with a chance to observe reactions to the research questions in an open-ended group setting. This research technique allowed participants to respond in their own words rather than being forced into a formalised method. Because participants could freely react to each other's responses, unexpected debate often occurred, which enriched the discussions.

Focus groups also enable the exploration of surprise information and new ideas. Agendas could be modified as the researcher moves on to the next focus group. Even within an existing focus group, an adept facilitator can build on ideas and insights of previous groups, getting to a greater depth of understanding (Krueger and Casey 2000). However, because they are qualitative devices, with limited sampling accuracy, results from focus groups should not be considered a replacement for quantitative analyses. The advantages and disadvantages of focus groups are summarised in Table 8.

Table 8: Advantages and Disadvantages of Focus Group

Advantages	***Disadvantages***
Cheaper than individual interviews	Time-consuming to set up and carry out
Highlight a range of perspectives	Relatively expensive, since it may be difficult to gather the respondents in one place.
Generate fresh insights into issues	Require considerable skill on the part of the interviewer
May develop solutions or improvements to current practice	Difficult to analyse and attribute weight to points made
It reveals what people really think and feel	Discussion may be dominated by few individuals in the group

Source: Adapted from (Morgan 1988, 1993; Krueger and Casey 2000: 3-25)

3.8 Population and sample

3.8.1 Population

The population used for this research comprised of SMEs in the petroleum distribution sector as listed in the Department of Energy's database of all petroleum distributors who applied and licenses issued to them since 2006. Government officials who deal with SME policies from the Department of Trade and Industry as an enterprise department and, the Department of Energy as a sector specific department were also consulted to confirm some of the findings from the literature review as well as the interviews with SMEs.

3.8.2 Sample and sampling method

According to Leedy and Ormrod (2005) sampling in qualitative research is purposeful. Neuman (1994) argued that judgemental sampling is often used where a small number of cases are to be examined in depth, and where cases are to be selected on the grounds that are particularly informative. SMEs were selected with a view to obtain the most information about the topic under investigation.

The in-depth and semi-structured interviews and discussions were conducted with 69 SMEs who respondent to the invitations to participate in the study, using five focus group meetings. Group interviews and discussions were conducted with the owners of the SMEs and managers who are involved in the daily operations of their businesses. Each focus group meeting had between 10 and 15 representatives from the selected SMEs. The focus group interviews were conducted over a two day period, three groups on the first day and two groups on the second day.

The SMEs were selected from a total number of SMEs in the petroleum distribution sector that was listed on the DoE's database as licensed as of the 30 November 2009. A systematic sampling technique was used to select the SMEs that were contacted. A systematic sampling technique is very similar to the random sampling, the difference being that, instead of a table of random numbers, the total population (N) was divided by the size of the sample required (n). For example, n was 120 and N was 1200 when the sample was taken, the sampling fraction is 1/10 and therefore every 10^{th} SME in the sampling frame was selected for the sample. The 120 SMEs that were invited to participate in the evaluation study are listed in Annexure D. The detailed breakdown of the respondents and their demographics is presented in Chapter 4.

3.9 The research instrument

The main research instrument used for this study was the semi-structured in-depth face-to-face interview in a group workshop setting. In some instances, participants were requested to write their responses using short hand writing to portray their feelings. However, data was also collected from observation and inspection of documents. According to Leedy and Ormrod (2005) the semi-structured interview revolves around a few central questions. These questions were used to ensure enough overlap between the information obtained, so that comparisons could be made. Furthermore, the focus group interviews provided for the following advantages:

- Interviews offered “flexibility” to the interviewer in that he could probe for more specific answers;
- The interviewer exercised “control over the environment” to ensure that it is conducive for the interview;
- The interviewer recorded “spontaneous answers”;
- The interviewer took control over the “question order”,
- The interviewer ensured “completeness” of the interview, and
- Ensured “greater complexity of questions” and discussion happened during this study (Bailey 1987: 174).

Care was taken to acknowledge and where possible, to lessen the disadvantages of this group interview study. The following were done:

- “cost” in terms of time and inconvenience were considered when inviting the SMEs and during the group interviews,
- the interviewer was careful when making the respondent understands the question(s) during the interview, to eliminate “interview bias”,
- the researcher sought permission to publish the information in Annexure B and also guaranteed confidentiality of personal details of SME representatives in order to address concerns that interview studies offer “less anonymity” ,
- the researcher used personal networks and his position in government to “ensure accessibility to respondents” and therefore reduce the cost associated with group interview studies, and
- the researcher used “less standardised question wording” during the interview and encouraged and guided respondents during the discussion of their answers (Bailey 1987: 176).

A semi-structured interview was considered as most appropriate for this research because it helped in gaining an enriched understanding of complex causal tendencies within context. The open-ended and inductive nature of the semi-structured interview allowed for the discovery of new themes and the expansion of previous themes.

This enriched understanding of causal tendencies within their context and would not have been possible with other pre-established instruments such as a questionnaire or survey, which are both more deductive in nature. The exploratory and explanatory results of the semi-structured interview were thus consistent with the research goal and the nature of the research questions.

One must, however, not forget, as stated by Miles and Huberman (1994) that the main data-collection instrument in qualitative studies is the researcher. Rowley (2002) states that data-collection depends largely upon the competence of the researcher to ask good questions, to listen, and to interpret answers. The researchers impressively managed to approach the focus group interview in an unbiased and flexible manner, which was important to the credibility of this study.

3.10 Procedure for data collection

The data for this evaluation research was collected in three qualitative strands: a review of relevant literature and documentation, focus group interviews and discussions with SMEs in the petroleum distribution sector. The findings from the literature review and interviews with SME respondents were verified with policy makers through one on one interview. The first phase obtained secondary data by means of the literature review. This established the prevailing SME framework as defined by the policies government has put in place to support South African SMEs, and those policies that affect SMEs but are not controlled by the enterprise department or sector specific department. The literature review also explored the field of public policy evaluation to guide the research process and brings the research questions into perspective.

The second phase of the study used semi-structured, in-depth interviews as a primary source of collecting data from 69 policy beneficiaries (owners and managers of SMEs in the petroleum distribution sector). In order to ensure that the data is reproducible and general (Mays and Pope 1995), a method called triangulation was used in the third phase of the study with the officials from government. Triangulation is seen as combining methodologies in a study of the same phenomenon (Denzin 1978 as quoted in Jick 1979).

The richness of the context meant that the study could not rely on a single data collection method but benefitted from using multiple sources of evidence (Yin 1984). The use of multiple data-streams raises the reliability of the study and incorporates a broader perspective on the problem being investigated (Jick 1979). Semi-structured interviews were conducted in a focus group environment with the SME owners. A semi-structured interview was also held with policy makers from the two government departments referred to above.

Barribal and White (1994) argued that semi-structured interviews are well suited for exploring perception and opinions as it allows for a deeper probe for information thereby enriching the results of the study. Therefore, the interview method of data collection is used as it allows for the flexibility required from the evolving nature of the problem, and it is appropriate for research problems which require in-depth discussion and probing (Pirow 1990). The researcher's knowledge of the petroleum distribution industry as well as his understanding of the research questions allowed him to guide the participants into discussions which explored ideas, claims and statements that were raised.

3.11 Data analysis and interpretation

Merriam (1998) and Marshall and Rossman (1999) contend that data collection and data analysis must be a simultaneous process in qualitative research. Data analysis is complex process of making sense out of the data, by "moving back and forth between concrete bits of data and abstract concepts, between inductive and deductive reasoning, between description and interpretation" (Merriam 1998: 178). According to Creswell (1998), the analysis process conforms to general contour. The contour is best represented in a spiral image, a data analysis spiral, where to analyse qualitative data, the researcher engages in the process of moving in analytic circles rather than using a fixed linear approach (Creswell 1998). One enters with data and exits with an account or a narrative. In between, the researcher touches on several facets of analysis and circles around and around.

Yin (2008) suggests the adoption of a general strategy for data analysis. The preferred strategy Yin (2008) suggests is the reliance on prior theory. In this way there is a logical flow between prior theory guiding the research questions, the data-collection design and objectives, and the data analysis, which enables the analytical generalisation to prior theory.

Leedy and Ormrod (2005) conclude that the interpretation of the data is the essence of research. Since the interpretive paradigm has been chosen in this qualitative evaluation research using the focus group interview technique, some of the interpretations occurred during the data collection phase, while many other interpretations will occur during the data analysis phase. The researcher began with a data reduction process that saw the researcher distilling the data to draw out insights from the analysis of the transcripts, audio recordings and the researcher's personal notes.

As part of the evaluation research, the researcher re-visited the objectives which were established at the outset of the evaluation to ensure that the objectives are met. Data that has gathered through interviews, observations, and literature review have been inductively analysed to indentify patterns or common themes that cut across the data. A rich, descriptive account of the findings is presented and discussed in Chapter 5, using references to the literature that framed the study in the first place.

3.12 Limitations of the study

This study is limited in the extent to which it might be reliable, given that it is unlikely that the same study conducted in a different context would reach exactly the same conclusions. The extent to which the SME participants may be biased in order to portray themselves as victims of government policy may also compromise the quality of the findings. Another limitation is that only the respondents from the owners of small enterprises in the Petroleum Distribution Sector were interviewed. The study reflects experiences and opinions of those senior managers in the two departments and the SMEs in the Petroleum Distribution Sector, which may be completely different to what the major Petroleum Distributors, other players in the value chain of the Petroleum Industry and small business owners in other sectors may suggest. This can however be directed to future research activities to evaluate the effectiveness of the SME policy framework in other sectors.

The study will only look at the effectiveness of SME policy framework from the perspective of owners of small enterprises in the Petroleum Distribution sector. Other areas that are important for the success of SME in this sector, such as management capabilities, will not be included in the study. Finally, the study evaluates the broad SME policy objectives not specific programmes that may be offered for SMEs.

3.13 Validity and reliability

A major concern in all research is the validity, trustworthiness, or authenticity of the study (Merriam 2002). Validity of the research report refers to the “accuracy, meaningfulness, and credibility” of the study as a whole (Leedy and Ormrod 2005: 97). Merriam (1998: 198-200) proposes that we think of validity as:

a) Craftsmanship in which the researcher adopts a “critical outlook” during data analysis,

b) Communication where validity is determined in “a dialogue with others”, and

c) “Pragmatic validity”, which goes beyond an argument’s persuasiveness to assessing validity in terms of real-world changes brought about as a results of the research.

In this study, data collection and evaluation methodologies have been reported in detail in order to provide a clear and accurate picture of the methods used in this study. All phases of this research were subjected to scrutiny by my academic supervisor who is experienced in qualitative research methods.

As mentioned previously, a disadvantage of qualitative and focus group research is the lack of well-formulated data analysis techniques, the high potential for researcher bias and the lack of a basis for the scientific generalisation of the findings. These points can place the validity and reliability of the research findings in doubt. As a result of this doubt in the findings of qualitative research, Yin (2008) proposes four tests to overcome this doubt and determine the quality of the research. These tests include internal validity, construct validity, external validity and reliability. They are discussed in more detail below.

3.13.1 External validity

External validity refers to the extent to which generalisations can be made to other context beyond the results of a specific study (Leedy and Ormrod 2005). The primary strategy utilised in this study to ensure external validity was the provision of rich, detailed descriptions so that anyone interested in transferability would have a solid framework for comparison. The choice of respondents and their commitment to understanding of the process are important variables influencing the external validity of the research process.

Yin (2008) suggests that external validity might be established for even only a small domain to which the findings can be generalised. The fact that this study will be conducted in a real-life setting (Leedy and Ormrod 2005), will be more valid in the sense that it yields results that can be generalised to other real-world contexts. It is however suggested that the sample selected in the study was representative of the population and the quality of the respondents provide sufficient external validity.

3.13.2 Internal validity

Internal validity asks the question, how congruent one's findings are with reality (Merriam 2002)? According to Leedy and Ormrod (2005), internal validity refers to the extent to which the researcher is able to draw accurate conclusions from the study. Perry (2001) states that internal validity refers to the soundness of specific causal links, or the cause and effect relationships, discovered. The researcher has ensured internal validity of this study by taking precautions to eliminate other possible explanations for the results observed. Various types of internal validity the researcher may utilised: construct validity, content validity, face validity and criterion-related validity (Leedy and Ormrod 2005). Face validity is considered more relevant for purposes of this study, because it is "often useful for ensuring the cooperation of people who are participating in a research study" (Leedy and Ormrod 2005: 92).

Yin (2008) suggests a design test for construct validity as the establishment of correct operational measures. Internal validity is important as it attempts to, minimise alternative explanations for the results obtained (Leedy and Ormrod 2005). The study improved internal validity by using multiple data sources to improve accuracy (Jick 1979). The researcher incorporated secondary data in the form of an analysis of the literature review and primary data in the form of semi-structured interviews to raise the level of internal validity, and further collaborated with government officials to confirm and review some of the findings.

3.13.3 Construct validity

Yin (2008) states that construct validity is the development of a suitable set of operational measures for a construct to overcome subjective judgements when data is collected. Previous theory review and analysis of the findings from exploratory interviews with the findings of previous researchers in the literature can greatly assist the researcher in developing a set of operational measures for a construct (Perry 2001).

In this evaluation research, the prior theory derived from the literature review provides a clear definition of the types of policies that either support the development or growth of small businesses, against which the results from the evidence gathered were compared.

Yin (1994) and Patton (1990) cited in Perry (2001) mention the concept of triangulation. Triangulation is a method of improving internal validity by using multiple data sources to improve accuracy (Jick 1979). Jick (1979) argued that triangulation increases construct validity and assists in overcoming subjective judgement by using several sources of evidence about a phenomenon to try and get a clearer picture of the phenomenon through convergence. In this research, triangulation was achieved from the convergence of various sources of data, by analysing the literature review as secondary data and primary data gathered via the focus group research discussion, and semi-structured interviews with the policy makers.

3.13.4 Reliability

Reliability refers to the extent to which research findings can be replicated (Merriam 2002). Leedy and Ormrod (2005) defines reliability as the extent to which similar research conducted in the future could result in similar outcomes. Perry (2001) states that reliability refers to how consistently a technique measures concepts so that other researchers who follow the same described procedures and conduct the same research will get the same results. Since the research is going to be conducted in the interpretive paradigm, the role and interpretations of the researcher played a significant part in the final interpretations and even the initial observations. Similar findings by another researcher might therefore not result in exactly the same conclusions being reached. However, Merriam (2002) argues that reliability in a research design is based on the assumption that there is a single reality and that studying it repeatedly will yield the same results. Yin (2008) states that the central goal of reliability is to minimise errors and biases in research.

Thus, Yin (2008) concludes that a clear way to increase the reliability of the findings is to clearly and diligently document the procedures followed so that an external observer can duplicate them. The documentation of the procedures followed in this research was done through a detailed description of the methodology followed. Perry (2001) further states that reliability can be enhanced by having a colleague work with the researcher to compare and cross-check findings.

Four colleagues attended the research workshops as observers to gain insights into the challenges and thinking of the SMEs who participated, and thus enhanced the reliability of the research.

The researcher has improved the reliability of this research by utilising an audio recording device during the focus group interview. Mays and Pope (1995) suggest that the reliability of semi-structured qualitative interviews may be improved by keeping meticulous transcripts and by audio or video recording the interviews. The latter has the added benefit that the interviewer can focus more of their attention on what is being said, the body language of the respondent so that deeper discussion on certain issues may be explored.

It must be mentioned that reliability of the evidence gathered from observation was also enhanced by the presence of four colleagues of the researcher. However, the evidence gathered from observation was considered limited but acceptable since observation was not the primary source of evidence in the current research, and was used merely to corroborate the evidence gathered from the discussions. The next chapter presents the results of the research findings before undertaking their analysis in Chapter 5.

CHAPTER FOUR: PRESENTATION OF RESULTS

4.1 Introduction

This chapter presents the results of the research. It begins with a presentation of the sample profile and response rates. The second section presents findings related to all the research questions. The results have been drawn from a combination of documentary analysis of policy documents and relevant literatures, licence database, reports and analysis of the focus group research interviews conducted with identified respondents. The interpretation of these findings in relation to the research questions is discussed and presented in Chapter 5.

4.2 Demographic profile of respondents

The sample consisted hundred and twenty (120) licensed SMEs in the petroleum distribution sector who were invited to participate in the research. Sixty nine (69) SMEs responded and took part in the research. The breakdown of the number of participants invited and those who accepted and attended the research interview is illustrated in Table 12 of Appendix D.

A database of all licensed distributors in the petroleum industry from the Department of Energy was used to obtain the contact details of potential respondents. A total of 120 emails were sent out to potential participants inviting them to the focus group meetings; 88 (73%) emails were delivered and 32 (27%) bounced or returned as undelivered (see Figure 7 and 8). The names of all potential respondents invited are shown in Table 12. In order to better describe the sample of SMEs participating in the study, the research instrument sought to obtain profile information. This profile information is presented in this section.

4.2.1 Type of Licensed SMEs in the Petroleum Distribution Sector

According to the DoE (2009b) petroleum wholesale or distribution licenses are categorised as conversion or new licenses. Conversion Licenses are issued to those petroleum distributors who were operating before the commencement of the Petroleum Products Amendment Act, which was the 17th March 2006. New distribution licenses are issued to all those who started trading as petroleum distributors after the 17th March 2006. Once a distribution license has been issued, a distribution company can either be classified as a Historically Disadvantaged South African (HDSA) distributor or a non-HDSA distributor depending on the points of benefits accumulating to historical disadvantaged South Africans participating in that company. These points are calculated and determined during the analysis of the application for a license by the Department of Energy. Respondents were also requested to provide this profile information on the day of the interview.

4.2.2 Delivery and Response Rate per License Type

The breakdown of the 120 potential participants into licensed type is represented in Figure 9. Out of 120 potential respondents, 30 were conversion licensed distributors and 90 were new licensed distributors (see Figure 10). Conversion licensed distributors had a delivery success rate of 24 out of 30. This translated to 80% of the emails being delivered. Out of the 90 emails sent to new licensed distributors, only 64 (71%) were delivered successfully. Of the 120 invitations sent to potential respondents, 90% were sent to non-HDSA distributors, whereas 10% were sent to HDSA distributors. Figure 7 illustrates the email delivery rate per distributors' license status.

The response rate between the HDSA distributors and non-HDSA distributors is represented in Figure 12. Of the 88 emails delivered successfully, 76 were delivered to SME distributors with a non-HDSA status, whereas 12 were delivered to SME distributors with an HDSA status. Of the 76 emails delivered to non-HDSA distributors, 57 responded positively, 16 responded negatively and 6 did not respond. Similarly, 10 HDSA distributors out of 12 responded positively, whereas 2 responded negatively.

4.2.3 SME Representatives

The study sought to interview respondents who are likely to be knowledgeable about the policy framework their businesses operate under. It also sought to interview those who could provide legitimate views based on their experiences to date on behalf of their entities. The representatives who participated in the study were owners and managers who are actively involved in the daily operations of their business.

4.2.4 Conclusion on the Demographics

In total, 69 SMEs in the petroleum distribution sector responded positively by attending the focus group meeting and participating in this research. Of significance is that 10 out of the 69 SME distributors in the petroleum industry who attended are classified as

HDSA distributors. Another demographic significance of the SMEs respondents is that 20 (29%) out of 69 SME who attended the focus group discussion were operating on or before the commencement of the licensing regime on the 17 March 2006.

4.3 Broad SME Policy Framework

This section presents findings from the research study on evaluating effectiveness of the Broad SME policy framework. The first part reports on the policy objectives as identified by respondents. The second section presents outcome of evaluating the effectiveness of this broad SME policy framework in its ability to create conducive environment for the promotion and development of SMEs in the petroleum distribution sector.

4.3.1 Awareness of the broad SME Policy objectives

The broad SME policy objectives identified by the respondents are provided in Table 13. The number of respondents who indicated that they were aware of all the identified policy objectives averaged 76%. Eight broad SME policy objectives were identified by the respondents. The policy objective that the majority of respondents (91%) indicated that they are aware of, is transforming the economy with rural development as a policy objective being the least (61%) in terms of awareness. Respondents were given an opportunity to discuss each of the identified broad SME policy objectives. A summary of this discussion is presented in Table 14.

4.3.2 Effectiveness of the broad SME Policy Framework

The eight broad SME policy objectives identified by the respondents were contrasted with the policy objectives identified in the literature review in Chapter 2, and each of the broad SME policy objectives were evaluated to assess the effectiveness of the policy framework in general. An outcome of evaluating the effectiveness of this broad SME policy framework is graphically represented in Figure 13 with the consolidated results of the evaluation presented in Table 15.

It is clear from this diagram that 69% of SME respondents believe that the broad SME policy framework is ineffective, compared to only 27% of the respondents who believe that it is effective. A detailed assessment of the effectiveness of each of the policy objectives is provided in Table 16 Appendix E.

4.4 Sector Specific Policy Framework

This section presents findings from evaluating the effectiveness of the Sector Specific Policy Framework in the petroleum distribution sector. The respondents were presented with the policy objectives of the Sector Specific Policy framework in the petroleum distribution sector and were requested to evaluate the effectiveness of these policy objectives in the sector. A consolidated result of evaluating the effectiveness of each sector specific policy objective is presented in Table 17. An analysis of evaluating effectiveness of the Sector Specific policy framework by SME respondents is graphically represented in Figure 14. The majority of the SME respondents (86%) believe that the sector specific policy framework is ineffective compared to 11% who feel that it is effective in creating a conducive environment for SMEs in the petroleum distribution to develop and be sustainable. Further analysis of the results of evaluating effectiveness of the sector specific policy objectives is presented in Chapter 5 and in Table 18 of Appendix F.

4.5 The salient attributes of the petroleum distribution sector

This section presents findings from evaluating effectiveness of the sector specific policy intervention in addressing the salient attributes that continue to characterise the petroleum distribution sector. Table 19 illustrates the outcome of an evaluation of the effectiveness of the sector specific policy intervention in the petroleum distribution sector to address the salient attributes that characterise the industry. The sector specific policy interventions were evaluated to determine the extent to which they were able to address problems with regards to access to the petroleum distribution infrastructure; the petroleum refineries and products; and the petroleum products pricing mechanism. These were the three salient attributes of the petroleum distribution sector that appear to hinder the emergence and success of SMEs in the sector as identified in the literature review in Chapter 2.

From Figure 15 it is evident that 100%; 64% and 96% of the respondents feel that the sector specific policy intervention has not been effective at all in addressing access to infrastructure; access to products and pricing transparency as barriers to entry in the petroleum distribution sector respectively. Only 29% of respondents felt that the sector specific policy intervention has been effective in addressing access to products by SMEs in the petroleum distribution sector. Table 20 provides further analysis of the outcome of evaluating effectiveness of sector specific policy framework to address the salient attributes that characterise the industry.

4.6 Other Socio-Economic Policy Framework

This section presents findings from the research study on other government policies that are not deemed to be SME policies but influence the development and growth of SMEs in a country. These policies that are deemed to be non-SME policies are categorised into six socio-economic policy groups. The first part reports on the outcome of evaluating the effectiveness of each socio-economic category on the SMEs in the petroleum distribution sector. The second part presents an outcome of evaluating effectiveness of the socio-economic policy framework in making it easy for SMEs in the petroleum distribution sector to do business in South Africa. These other government policies that are not deemed to be SME policies but impact greatly on the success and failures of SMEs were identified in the literature review in Chapter 2.

4.6.1 Effectiveness of non SME government policies

Table 21 presents the consolidated results of evaluating the effectiveness of these other government policies that impact on the SMEs even though they are not considered main SME policies. Figure 16 graphically presents the analysis of the research findings of evaluating each of the socio-economic categories. In this diagram, each policy was evaluated individually to determine its effectiveness using the five evaluative classifications indicated. For example, 62 SME participants indicated that the macroeconomic policies have been ineffective in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.

4.6.2 Evaluating individual Socio-Economic Policy Framework

Figure 17 presents an aggregated analysis of these other policies that are not deemed to be SME policies but impact greatly on the success and failures of SMEs. The figure shows that 79% of SME participants indicated that these policies have been ineffective in making it easy to do business in South Africa, compared to 12% who feel that the other socio-economic policy framework have been effective in making it easy to do business in South Africa. Further analysis is provided in Table 22 of Appendix G.

4.7 Summary of the results

This chapter has presented the results of evaluating public policies that may influence the development, success and failures of SMEs in the petroleum distribution sector in South Africa. Some of these policies are under the direct control of the main SME department of government whereas others are not. The first presentation was the demographic of the sample size and their response to the invitation. This is presented in Section 4.2. The second presentation in Section 4.3 was the results of evaluating the effectiveness of the SME policy objectives as outlined in the broad SME policy framework. The general consensus is that the broad SME policy framework has not been effective in creating an enabling environment for SME in the petroleum distribution sector. The third presentation in Section 4.4 is the results of evaluating effectiveness of policies introduced by the sector department. This evaluation was done on each objective of the sector specific policy framework as identified in the literature review. Fourthly, the chapter presented in Section 4.5 highlights the results of an evaluation of the effectiveness of the sector specific policy intervention in addressing the salient attributes that continue to characterise the petroleum distribution sector in South Africa.

Lastly, Section 4.6 presented the results of an analysis of public policies that either make it easy or difficult for SMEs to do business in South Africa but are not deemed main SME policies. The overall evaluation of these socio-economic policies concluded that the socio-economic policy framework has been ineffective in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.

It must be reiterated that unlike scientific experiments that seek to know and explain, this study is a human inquiry that seeks to understand, hence it is interpretative in nature. The interpretation was approached as follows: firstly the researcher tried to understand the text of the transcript as the respondents intended it to be understood. Secondly, the researcher had an appreciation for the fact that the respondents' intention could not be fully understood through the medium of language - this necessitated the researcher to try and understand the mind of the respondents as far as possible during the focus group discussion.

CHAPTER FIVE: DISCUSSION OF THE RESULTS

5.1 Introduction

Chapter 5 presents the interpretation and analysis of the research findings of the study. The chapter is organised such that the issues raised in the research questions are discussed sequentially. In order to contextualise the findings, the chapter commences with a brief analysis of the demographic profiles of respondents that participated in the research. The other sections of this chapter discuss findings related to all the research questions as identified in chapter 2.

5.2 Demographic profile of SME respondents

This study evaluates effectiveness of the SME policy framework in the Petroleum Distribution Sector in South Africa. The population of interest for this study is all SMEs in the petroleum distribution sector in South Africa. The population that was accessible to this study consists of all SMEs who were enlisted as Wholesale licensee in the Department of Energy's license database by the 30 November 2009. A simple random sampling as discussed in Chapter 3 was used to select the targeted SMEs. SMEs that responded were mostly represented by owners and managers who are intimately involved in the daily operations of the business.

In conclusion, 120 potential SME respondents were invited, but only 69 SME responded positively by attending the focus group discussion and participated in this research. Of significance is that 10 out of the 69 SME distributors in the petroleum industry who attended are classified as HDSA distributors. Another demographic significance of the SME respondents is that 20 (29%) out of 69 SME who attended the focus group discussion were operating before the commencement of the licensing regime on the 17 March 2006. All potential respondents who were invited to participate in this study are listed in Table 11 of Appendix D.

5.3 The Broad SME Policy Framework

In this section the research findings related to Research Question 1 are discussed. The section starts by discussing the broad SME policy objectives in South Africa as identified by the respondents, and then contrasting these research findings with the policy objectives discussed in section 2.6 of the literature review. The second part of this section evaluates effectiveness of the broad SME policy framework to develop and promote SMEs in the petroleum distribution sector.

5.3.1 The Broad SME Policy Objectives as identified by SME respondents

According to Dunn (2004) policy evaluation should include the evaluations of goals and objectives of policies, hence the first step in this research was to establish the respondents' awareness of the policy objectives before engaging in their evaluation. From the research conducted, the SME respondents identified eight broad SME policy objectives for South Africa. The identified objectives and the number of respondents who identified such an objective are contained in Table 13 of Appendix E. Further analysis of the discussion with the SME respondents of the identified objectives is contained in Table 14.

The broad SME policy objectives as identified by the respondents were contrasted with the broad SME policy objectives identified in the literature review. The research findings revealed a lack of awareness of the broad SME policy objectives amongst the SMEs in the petroleum distribution sector and those government officials who participated in the triangulation study. Only two of the eight broad SME policy objectives identified by the respondents correspond to the policy objectives contained in the government's SME policy framework document as revealed in the literature review. What is concerning about the lack of awareness of the broad SME policy objectives by SME respondents in the petroleum distribution sector is that: a) they may not be able to hold government accountable for the promises made through policies; b) they may not access the assistance that government is offering the SMEs; c) and they may be biased in evaluating the SME policies because of lack of awareness.

However, a general lack of awareness may not be the fault of SMEs only, but rather governments. They may have failed to communicate and raise awareness about the different programmes and assistance on offer to SMEs. The study revealed that government officials who participated in the study confirmed most of the objectives identified by SMEs as objectives of the broad SME policy framework. This may also reveal a lack of awareness of what the actual broad SME policy objectives are, which means government officials may offer incorrect advice to SMEs and potential SMEs when they seek information.

5.3.2 Evaluating the broad SME policy framework

To conduct an evaluation of the broad SME policy framework, each of the objectives of this policy was evaluated and analysed individually to assess the effectiveness of the overall policy framework. The respondents evaluated each of the broad SME policy objectives using the following five effective criteria: highly effective; effective; neutral; ineffective or highly ineffective. Table 15 contains the aggregated outcome of the evaluation by each respondent using the above criteria on each policy objectives. A graphic analysis of the results of evaluating effectiveness of each broad SME policy objective is presented in Figure 13.

Table 16contains further analysis of the outcome of each evaluation of the SME policy objectives as identified in Chapter 2. These policy objectives are expressed in the 1995 White Paper on National Strategy on the Development and Promotion of Small Business in South Africa. According to the DTI (RSA (1995a)), the policy objectives were articulated to foster an enabling environment for SMEs in general. Each of these objectives was individually discussed with the SME participants and the evaluation of their efficacy to foster an enabling environment for SMEs in the petroleum distribution sector in particular was conducted. The discussion of each individual SME policy objectives will not be repeated in this section as it is summarised in Table 16. Section 5.3.3 discusses the assessment of the overall policy framework as evaluated by the respondents.

5.3.3 Effectiveness of the broad SME policy framework

The outcome of evaluating effectiveness of the broad SME policy framework revealed that 69% (47% ineffective and 22% highly ineffective) of the SMEs in the petroleum distribution sector feel that the policy framework is ineffective. At the same time, 27%

(26% effective and 1% highly effective) of the SMEs in the petroleum distribution sector feel that the broad SME policy framework has been effective, whereas 4% of the SME respondents feel that the policy framework is neither effective nor ineffective. Figure 13 is a graphic analysis of the outcome of evaluating effectiveness of the broad SME policy framework in the petroleum distribution sector. Of significance is that those who feel that the broad SME policy framework is ineffective, almost 32% consider it highly ineffective.

The majority of respondents attributed the reason for their evaluation to lack of awareness in government programmes that are aimed at SMEs in the petroleum industry and other industries. Some who claimed to have some knowledge of the government initiatives suggested that corruption and nepotism have prevented them from getting any assistance from government and government agencies that are supposed to promote SMEs. SME41 said the following: "unless you are one of them, you will never receive any assistance from government agencies like Khula and Umsobovu. They only help their comrades". A detailed analysis of the responses from the SME respondents and summary of discussions that followed each evaluation of the broad SME policy objective is contained in Table 16.

5.3.4 Conclusion on broad SME Policy framework

The conclusion from the research is that the broad SME policy framework has been ineffective in creating an enabling environment for SMEs in the petroleum distribution sector to develop and be sustainable. Significant about the analysis provided in Table 16 is that this broad SME policy framework is within the direct control of the main SME policy department.

In conclusion, it is clear that there is misalignment between what the SMEs think are the objectives of the broad SME policy framework and what the actual objectives are as identified in the literature review. This misalignment can explain why the SMEs feel that the policy framework under the direct control of the main SME department is not effective. It appears though that most of what SMEs have identified as objectives are specific activities or initiatives that government has embarked on in implementing the broad SME policy. The next section discusses and interprets the research results pertaining to the evaluation of the sector specific policy intervention in the petroleum industry.

5.4 Evaluating the Sector Specific Policy Framework

As Dunn (2004) pointed out that policy evaluation involves evaluating the goals and objectives of that policy, the same approach was used in evaluating the sector specific policy framework in this section. The objectives of the sector specific policy framework for the petroleum distribution sector were evaluated individually to ascertain their efficacy. Table 18 contains the analysis of evaluating each of the sector specific policy objectives; and as such it is not repeated in this section.

The second part of this section discusses the outcome of evaluating the sector specific policy framework in addressing the specific salient attributes of the petroleum distribution sector in South Africa. The evaluation took into consideration the general evaluation done in Section 5.4.1 of each objective of the sector specific policy framework to come to a conclusion on the effectiveness of this policy framework in addressing the salient attributes that characterised the petroleum distribution industry. There are three specific salient attributes in the petroleum distribution sector as identified in Section 1.2.3, that forms part of the historical structural set-up of the sector and are deemed to be major barriers to entry by SMEs and give unfair advantage to the major distributors. These salient attributes provide access to the petroleum distribution infrastructure; access to the petroleum refineries and products; and the application of the petroleum products pricing mechanism. The sector specific policy intervention was touted as the answer to address these structural barriers; hence this section evaluates the sector specific policy framework's effectiveness in removing these barriers.

Participants responded to specific questions that sought to deduce their feelings on the effectiveness of the sector specific policy framework in creating conducive environment for SMEs in the petroleum distribution industry to develop and to be promoted. The following five effective criteria were used to determine the effectiveness of the policy framework: effective; highly effective; neutral; ineffective and highly ineffective (see Appendix A for research instrument). As indicated a detailed analysis is provided in Table 18 and Table 20 of Appendix F, section 5.4.1 is the overall analysis of the evaluation of the sector specific policy framework as discussed.

5.4.1 Effectiveness of the sector specific policy framework

The study revealed that 86% of SMEs in the petroleum distribution sector feels that the sector specific policy framework is ineffective. This percentage is made up of 55% of

SME respondents indicating that the policy framework is ineffective and 31% saying it is highly ineffective. See Figure 14 for a graphic analysis of the outcome of evaluating effectiveness of the sector specific policy framework by SME respondents. Clearly, this is a significant finding in ascertaining the effectiveness of the sector specific policy framework to create conducive environment for SMEs in the petroleum distribution industry to develop, compete against the major distributors and be sustainable. Only 11% of SME respondents felt that the sector specific policy framework is effective (2% feeling it is highly effective and 9% indicating that it is just effective).

5.4.2 Effectiveness of the sector specific policy intervention in dealing with the specific salient attributes of the petroleum distribution sector

Respondents also evaluated the sector specific policy framework to establish its effectiveness in addressing the salient attributes that continue to characterise the petroleum distribution sector. Detailed analysis of the reasons put forward by the SME respondents is provided in Table 20. The study found that 87% of SME respondents feel that sector specific policy framework in the petroleum distribution sector has been ineffective in addressing the salient attributes. Specifically, the study revealed that 100% of respondents feel that the sector specific policy intervention has been ineffective in helping SMEs in the petroleum distribution industry to access petroleum distribution infrastructure. Another significant finding was on ensuring access to petroleum products and refineries. Whereas 64% of respondents evaluated the sector specific policy intervention to be ineffective, 29% of respondents, feel that the sector specific policy intervention is effective. An evaluation of the last salient attributes revealed that 96% of the respondents felt that the sector specific policy intervention has been ineffective in ensuring transparency in the pricing mechanism in the petroleum distribution sector. SME respondents highlighted disparities that exist when it comes to pricing for SME distributors and the major distributors. Respondents alleged that lack of pricing mechanism in the petroleum distribution sector perpetuates the dominance of major distributors as they get discounted prices from other major distributors and refineries.

These findings confirm the overall evaluation of the sector specific policy framework (see Figure 14), in which 86% of SME respondents feel that the policy framework is ineffective. The specific sector policy intervention was touted as the answer to address these structural barriers; hence this section evaluates the sector specific policy framework's effectiveness in removing these barriers. Figure 15 shows the graphic analysis of the outcome of an evaluation exercise conducted to measure the extent of the effectiveness of the sector specific policy intervention.

Government, as pointed out by the officials who participated in the discussion of the outcome of the evaluation by SME respondents, must speed up the review of the sector specific policy framework if it is to ensure that SMEs develop and transform the petroleum distribution sector.

5.4.3 Conclusion on the effectiveness of the sector specific policy framework

In answering research question 3, an average of 87% of the SME participants came to a conclusion that the sector specific SME policy has not been effective in addressing the identified salient attributes of the petroleum distribution industry, which hinders the development and growth of SMEs. An average of 29% and 11% of the SME participants viewed the sector specific SME policy to be effective and neutral in addressing the salient attributes of the petroleum distribution sector respectively. Such figures are an indictment to government's efforts to promote the development of small businesses throughout the value chain of the petroleum industry, particularly because the SMEs in the petroleum industry look at the sector department to continue regulating the sector to remove bottlenecks and level the playing field before any deregulation can be entertained.

5.5 Evaluating the Socio-Economic Policy Framework

This section discusses an evaluation of a range of public policies that impact directly upon SMEs (as discussed in Section 2.2), yet they are frequently not policies over which the main SME department of government exercises any direct control. However, if the main SME department of government is given targets relating to the start-up and performance of new and small businesses, it is these policies which may have an equally strong, or perhaps even stronger, influence upon whether these targets are achieved than the SME departments' own policies. Six of these policies are evaluated in this study to determine their effectiveness in making it easy for small businesses (particularly in the petroleum distribution sector) to do business in South Africa. The six socio-economic policies that have been evaluated in this study have been categorised into six broad themes: Macroeconomic policies; Taxation Policies; Labour policies; Business regulations or Licensing policies; Competition policies and Immigration/Emigration policies. A detailed evaluation and analysis of the effectiveness of each of these policy themes is provided in Table 22 of Appendix G.

5.5.1 Effectiveness of the Socio-Economic policies

There are policies that are not under the direct control of the main SME department which may have an equally strong, or perhaps even stronger, influence on the development and sustainability of SMEs. There is hence a need to evaluate effectiveness of these policies, as this research study suggests. Figure 16 provides a detailed graphic analysis of the outcome of an exercise where SME participants evaluated the effectiveness of each category of the socio-economic policies. The guiding question was for SMEs to evaluate, by indicating the effectiveness of the socio economic policies in reducing the regulatory burden, hence making it easy for small businesses in the petroleum distribution sector to do business in South Africa. Again, five effective criteria were used to determine the effectiveness of each category of the socio economic policies.

The study revealed that 80% (78% ineffective plus 12% highly ineffective) of respondents indicated that the macroeconomic policies have been ineffective in making it easy to do business in South Africa for SMEs in the petroleum distribution sector. The majority of the respondents pointed out that the South African macroeconomic environment is not stable enough to sustain high economic growth. They pointed out the high risk of inflation and interest rates as the main factors contributing to an unstable macroeconomic environment. SME19 concluded that "...given an unstable macro environment and the impact of the global crisis, government needs to come up with specific measures to help SMEs to avoid a double dip recession".

An evaluation of the effectiveness of taxation policy in making it easy for SMEs in the petroleum distribution sector to do business in South Africa revealed the following: 87% of respondents indicated that the taxation policy is ineffective while 4% felt that it is highly ineffective. Because of the SMEs greater reliance on the resources of the owner and those of the owner's family and friends as a source of capital, SME participants felt that taxation has a greater impact on the small business than it does on the larger business. This view was strongly supported by a significant finding of 91% of SME respondents who felt that taxation as a socio- economic policy has been ineffective in making it easy for small businesses in the petroleum distribution sector to do business in South Africa.

Another significant finding was the 90% respondents who evaluated as ineffective the competition policy framework in making it easy for SME in the petroleum distribution sector to do business in South Africa. The majority of SME participants agreed that South Africa has good competition policy but raised concerns that these policies seem not to be protecting them against unfair competition from the major petroleum distributors. SME respondents identified access to market opportunities; access to petroleum infrastructure; and access to refineries and products as areas where anti-competitive behaviour by the big petroleum distributors is prevalent.

Furthermore, SME participants expressed great concern on labour policies, indicating that it adds regulatory burden to their businesses, hence making it difficult to do business in South Africa. The major concern about labour policies is that in South Africa it is not easy to hire and fire someone, and for small businesses in which some of their business is cyclical or dependent on a contract, they cannot afford to keep an employee when there is no need. Almost 91% of SME participants evaluated the effectiveness of labour policy framework to be ineffective in making it easy to do business in South Africa. It is however important to point out that only 26% of respondents indicated that labour policy framework is highly ineffective whereas 65% felt that it is ineffective in making it easy for SMEs to do business in South Africa.

The finding of evaluating the effectiveness of business policies such as those that relates to registrations for permits and licenses revealed that it is considered an unnecessary burden which affects the rate of SME development in the country. The SMEs' responses to evaluating effectiveness of business policies in making it easy to do business in the petroleum distribution sector in South Africa was that 81% of the respondents felt the policy is ineffective. Respondents pointed to red tape and bureaucracies as inhibiting factors for getting licenses and permits to do business in South Africa, leading to corruption.

In an evaluation of the immigration/emigration policies, 30% of respondents felt that they feel the policy is ineffective, while 55% choose to remain neutral and a further 19% feel it is effective. The evaluation of immigration/emigration policies received diverse views from the participants. The study found that some respondents felt that the policy makes it easy for foreigners to do business in South Africa, but their concerns are that most of these foreigners do not register for tax. Others however, felt that the immigration/emigration policies make it difficult for foreigners to do business in South

Africa; hence they do not even register their businesses for tax. The majority of respondents though, did not express any feelings on how effective the immigration/emigration policies are in making it easy to do business in South Africa.

The SMEs concluded that they do not expect the socio-economic policies to be SME friendly, given that almost all of these policies, with the exception of the competition and licensing policies are not controlled by the main SME department or the sector specific department. Even those that may be under the main enterprise department, like the competition policy, the sector department and the licensing policy are not developed to be SME friendly.

5.5.2 Conclusion on socio- economic policies

This section has assessed the effectiveness of other public policies that are not necessarily deemed SME policies but which do influence the development, growth and sustainability of small businesses in the petroleum distribution sector. Specifically, these socio-economic policies play a significant role in creating conducive environment for SMEs to do business in South Africa.

Figure 17 is a graphic analysis of the aggregated outcome of evaluating the effectiveness of socio-economic policy framework in making it easy for SMEs in the petroleum distribution sector to do business. It is apparent from this diagram that an average of 79% of respondents feel that the socio-economic policy framework is ineffective in making it easy for SMEs in the petroleum distribution sector to do business in South Africa, compared to just 12% who feel it is effective.

The evaluation analysis has emphasised the importance of factors such as the tax regime, the regulatory environment, immigration and emigration as well as macro policies seeking to achieve low inflation, interest rates and unemployment. These policies, perhaps significantly more than sector specific SME policies, influence rates of new SME development and the growth of the SME sector in this country.

The policy implication of this are that the main department responsible for SME policy has to work in conjunction with other departments of government responsible for matters relating to economic policy, the tax regime, or immigration/emigration. It is also recognised that these departments of government are likely to have expenditures relating to SMEs that dwarf the main SME department. Hence the development of strong relationships to ensure policy coherence is a pre-condition for successful policy implementation and its effectiveness.

5.6 Conclusion

This chapter has analysed and discussed the evaluation of public policies that may influence the development, success and failures of SMEs in the petroleum distribution sector. Some of these policies are under the direct control of the main SME department of government whereas others are not. The chapter first evaluated effectiveness of the SME policy objectives contained in the broad SME policy framework, which is under the control of the main SME department. The general consensus is that the broad SME policy framework has not been effective in creating an enabling environment for SMEs in the petroleum distribution sector (see Figure 17). Second, the chapter evaluated the effectiveness of the sector specific policy intervention, and concluded that the sector specific sector policy intervention has not been effective in making SMEs grow and competitive in the petroleum distribution sector. Thirdly, the sector specific policy framework was again evaluated to determine its effectiveness in removing the barriers caused by the salient attributes of the petroleum distribution sector. Overwhelmingly, the respondents indicated that the sector specific policy has been ineffective in addressing the problems presented by the salient attributes in the petroleum distribution sector.

Fourthly, the chapter analysed public policies that are not under the main SME department but has an influence in the development, success and failures of SMEs. Lastly, the chapter evaluated the effectiveness of the same policies that are not under the direct control of the main SME department, and concluded that these policies have been ineffective in creating conducive environment for SMEs in the petroleum distribution sector to do business in South Africa.

Overall, the evidence presented in Chapter 5 has demonstrated that policy makers may not be in touch with the reality of how policy beneficiaries feel, due to a lack of constructive monitoring and evaluation. The conclusion is that the SMEs in the petroleum distribution sector generally feel that the SME policy framework is ineffective in helping their businesses grow and be sustainable.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter starts by summarising the findings and conclusion of the research, particularly with reference to the context of the study. The next section offers recommendations to the policy makers and the SMEs. The last section gives suggestions for further research that the researcher thinks is beyond the scope of this study.

6.2 Conclusions of the study

International evidence suggests that the policy and regulatory environment has a major influence on the survival and growth of small and new businesses (Orford 2005). Beyene (2002) asserts that a government that is genuinely committed to the development of SMEs needs to facilitate a favourable political and economic climate, by a policy and regulatory framework that does not discriminate against small enterprises. Thus, policies and regulatory framework that governments put in place to facilitate the development and sustainability of small businesses must be evaluated on a regular basis to assess their impact and effectiveness.

In this study the effectiveness of SME policy framework in the petroleum distribution sector was evaluated together with sector specific policies and other socio-economic policies that are not under the direct control of the main SME department but are considered to have an influence on the SME sector. In line with this objective of evaluating the effectiveness of SME policy framework in the petroleum distribution sector in South Africa, this section summarises findings discussed in Chapter 5 under the heading broad SME policy objectives, Sector specific policy framework, and finally, the socio-economic public policies not under the influence of main SME department of government.

6.2.1 Broad SME policy objective

In analysing the research findings, evaluating effectiveness of the broad SME policy framework is more critical since it is under the direct control and influence of the main enterprise department. The main enterprise department has the responsibility and the budget to ensure that small businesses are developed and supported in the country.

According to Hill et al. (2006), the fundamental principle of evaluation requires that the objectives of the SME policy be specified. The key broad SME policy objectives of the South African government were evaluated in Section 5.3 and are summarised in Table 16 and Figure 13 of Appendix E.

6.2.1.1 Creating an enabling legal framework

The general consensus from the SME participants is that government has been ineffective in creating an enabling legal environment in the petroleum distribution sector. The small businesses in the petroleum distribution sector operate in a dynamic and complex environment, and their sustainability is influenced by a number of variables and the historical context of the sector. As a result of this complex environment, SMEs expect the legal framework to create a more favourable environment for the SME to operate in. It is however evident that any solution will take time and that no quick fixes are apparent given the structural set up of the industry.

6.2.1.2 Streamlining regulatory conditions

Despite government's noble intentions to streamline regulatory conditions, the SME participants felt that it has failed to achieve this objective particularly for the petroleum distribution sector. The failure on the part of government to streamline the regulatory conditions can be attributed to a lack of government co-ordination when drafting policies and regulations. It appears as if each government department focuses on their prime mandate without considering how their actions impact on the SME sector. This became very clear during the evaluation of the effectiveness of the socio-economic policies on the SME sector in the petroleum distribution sector.

6.2.1.3 Facilitating access to information and advice

More than half of the SME participants felt that government has been effective in facilitating access to information and advice through the creation of agencies. Those who felt that government policy has been ineffective in this regard cited the accessibility and locations of these agencies. Government can improve access to information and advice by ensuring that these services are offered throughout the municipalities.

6.2.1.4 Facilitating access to marketing and procurement

The general feeling from all the SME participants was that the SME policy framework has been ineffective in facilitating access to marketing and procurement in the petroleum distribution sector. SMEs raised concern that competing against the major distributors in government and private sector is a challenge since the major distributors are able to under price. SMEs must play a role in marketing their businesses as well to increase their sales.

6.2.1.5 Facilitating access to finance

An evaluation of the effectiveness of the SME policy framework to facilitate access to finance by the SMEs in the petroleum distribution sector was also negative. The majority of SMEs considered access to finance a barrier to entry in the petroleum distribution sector. Access to finance is an area where government's intervention can really make a big difference to the SME sector in general.

6.2.1.6 Facilitating access to affordable physical infrastructure

All SMEs in the petroleum distribution sector considered access to physical infrastructure one of the barriers to entry that the policy framework has failed to address. Lack of access to petroleum distribution infrastructure is one of the salient attributes that continue to be a barrier in this sector. Government has acknowledged that it failed to facilitate access to affordable physical infrastructure.

6.2.1.7 Providing training in entrepreneurship, skills and management

None of the SME participants have ever attended a government-initiated entrepreneurship, skills and management training session. However, SME participants felt that government has been effective in this regard because they were aware of training that was being sponsored by government but chose not to attend any of these sessions.

6.2.1.8 Improving industrial relations and the labour environment

The SME participants had mixed feelings about the effectiveness of the SME policy framework in improving industrial relations and the labour environment. However, it became very clear as the other non-SME policies were evaluated, that SMEs believe that rigid labour laws inhibit employment creation and makes it difficult to do business in South Africa.

6.2.1.9 Facilitating access to appropriate technology

The SME policy framework was considered ineffective in facilitating access to appropriate technology in the petroleum distribution sector.

6.2.1.10 Encouraging joint ventures

The SME participants felt that the government policy does encourage joint ventures amongst the SMEs where possible.

6.2.1.11 Capacity building and institutional strengthening

The SME participants were once again divided in their assessment of the effectiveness of the SME policy framework to facilitate capacity building and institutional strengthening.

6.2.1.12 Introducing differential taxation and other financial incentives

The general consensus was that the SME policy framework has been ineffective in introducing differential taxation and other financial incentives in the petroleum distribution sector. Government is still to introduce differential taxation and financial incentives for SMEs, but at the moment these incentives do not exist.

6.2.2 Sector Specific Policy Intervention

The research outcome of evaluating the sector specific policy intervention was discussed in Section 5.4. The main policy objectives of the sector policies were evaluated to determine their effectiveness in the petroleum distribution sector. The sector specific policy intervention was also evaluated to determine its effectiveness in addressing the salient attributes of the petroleum distribution sector. The key attributes that characterise the petroleum distribution sector and are considered structural barriers for small businesses were identified as access to infrastructure, access to petroleum products and refineries, and the lack of pricing transparency.

6.2.2.1 Access to petroleum distribution infrastructure

Access to petroleum distribution infrastructure such as the pipeline, rail and the ports are critical to the efficient and cost effective distribution of petroleum products by companies in this sector. Lack of access to these infrastructures is viewed by the SMEs as a barrier to entry into the petroleum distribution sector, which the policy should address with urgency. Only the major petroleum distributors have full access to these infrastructures. Government conceded that access to petroleum distribution infrastructure by SMEs is lacking. They pointed to capacity constraint as a reason SMEs cannot have equal access and the major distributors are prioritised for security of supply. The respondents felt that the sector specific policy framework has been ineffective in ensuring access to petroleum distribution infrastructure.

6.2.2.2 Access to petroleum products or refineries

The SMEs in the petroleum distribution sector do not have easy access to petroleum products or refineries. The main reason established is because of the vertical integration between the refineries and the major distributors of petroleum products. SMEs have to buy products from the major distributor who is linked to a particular refinery, as SMEs are not allowed to buy directly from the refineries. In cases where the SME might be competing with the major distributor, the distributor uses access to products or refineries to “punish” that SME. Hence, respondents feel that the sector specific policy framework is ineffective in ensuring equitable access to petroleum products.

6.2.2.3 Lack of pricing transparency

The secrecy around the pricing mechanisms has its origins from the time of apartheid in which the petroleum industry was deemed very strategic. However, the concern raised by SMEs is that the major petroleum distributors use different pricing strategies for the SMEs as opposed to the other major distributors. This discriminatory pricing strategy is viewed as a barrier that is being used by the major distributors to keep SMEs out of business by squeezing their margins. Respondents evaluated this process as ineffectiveness of the sector specific policy framework in ensuring pricing transparency in the petroleum distribution sector.

6.2.3 Other Socio-economic policy framework

This section analyses other policies that have an influence on the success and failures of SMEs in the petroleum distribution sector but are not under the direct control of the main SME department or sector department. They influence the start up of new firms and the performance of small firms once established, and yet they are frequently not policies over which the main SME department of government exercises any direct control.

From the above it is clear that there are numerous influences upon small business performance in the country. It is also clear that decisions on taxation, immigration, labour legislative burdens and enforcement that strongly influence SMEs, are normally made by departments of government other than the main SME department. Furthermore, the main SME department of government almost certainly exerts only a very modest influence upon these decisions. A key challenge for SME policy makers is therefore to identify the most important of these policy influences on small businesses and then to influence key decision-making departments elsewhere in government.

It warrants noting that respondents overwhelmingly evaluated effectiveness of socio-economic policy framework to be ineffective in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.

6.2.4 Conclusions

In conclusion, it is important to refer back to the research questions, as per Section 2.6 to determine if they have been answered. In line with the research questions, this conclusion looks at the effectiveness of the broad SME policy framework under the direct control of the main enterprise department, the impact and effectiveness of the policies introduced by the sector department, and the impact and effectiveness of other policies that are not under the direct control and influence of the main SME and sector departments. The conclusion links the evaluation conducted (Chapter 5) and the research literature (Chapter 2) back to the research questions.

First, SMEs went through an exercise of identifying the broad SME policy objectives to establish their knowledge and awareness of government broad SME policy objectives. The exercised revealed that SMEs were not fully aware of what government intended to achieve through the SME policy. The objectives identified by SMEs are listed in Section 5.3.1. The effectiveness of the broad SME policy framework was evaluated. The general assessment of the effectiveness of the SME policy framework is that it has not been effective in ensuring the development and sustainability of SMEs in the petroleum distribution sector. This evaluation was conducted in Section 5.3.2 to 5.3.7 and Section 6.2.1.

The sector specific policy intervention in the petroleum distribution sector was analysed in this research. The impact of this policy intervention in the petroleum distribution was assessed in Section 5.4.1 to 5.4.7. The analysis from the research findings revealed that SMEs feel that the policy intervention has not had positive impacts on their businesses.

The evaluation of the effectiveness of the sector specific policies was also conducted. The conclusion drawn from this evaluation is that the sector specific policy intervention has not been effective in the petroleum distribution sector. The policy intervention was supposed to address the salient attributes that have characterised the petroleum distribution sector for many decades. These attributes are petroleum distribution infrastructure, petroleum refineries/products and the products pricing mechanisms. The evaluation of the effectiveness of the sector specific policies is analysed in Section 5.4.8 to 5.4.10 and Section 6.2.3

Six other policy areas that impact on the small businesses were also evaluated. These policies are not under the direct control of the main SME department or sector department, but they have a great impact and influence on the success and failures of small businesses. The first broad policy area that was analysed is the macroeconomic policies. These policies have an influence on the inflation, interest rates, unemployment and exchange rate. This policy was analysed in Section 5.5. The second relates to the taxation policies. Many small businesses are affected by tax legislation in terms of the compliance requirements and the amount of tax they must pay. Tax policy is also not controlled by the main SME department of government but it has a great impact on the success and failures of small businesses particularly in tough trading conditions. This policy framework was analysed in Section 5.6.

Competition policy is another policy that was evaluated. Many SMEs consider competition policy as one that works against them; hence they tend to have a negative attitude towards it. Understanding of the competition policy is very important as it helps identify the anti-competitive behaviours. The analysis of competition policy framework is done in Section 5.7.

Another important policy that impacts on the small business even though it is not considered the SME policy is the labour policy. South Africa is considered to have very rigid labour laws which do not make it easy for employers, particularly small businesses to hire and fire employees. The impact of this policy was evaluated in Section 5.8.

In most cases, SMEs become frustrated with the bureaucratic process for registering businesses and applying for licenses. In most cases these licensing policies are not under the direct influence of the main SME department, even though they greatly influence the development of small businesses. The analysis of this policy framework has been done in Section 5.9.

Lastly, the research analysed the immigration/emigration policies. Immigration/emigration policies have an influence on the development of small businesses by foreign nationals in a country. Both the host country and the country of origin may benefit in terms of small business development depending on the immigration/emigration laws that exist in that country. In South Africa, the immigration and emigration policies are not under the direct control of the main SME department. This policy framework is analysed in Section 5.10.

The conclusion from the policy evaluation as discussed above is that the policies that are supposed to create conducive environment for the development, sustainability and growth of small businesses in the petroleum distribution sector are currently not effective. This calls on government to review the implementations of these policies to ensure their effectiveness in achieving the overall policy objectives.

6.3 Recommendations

This section is organised in two parts. The first part provides recommendations to policy makers within government, particularly those that are tasked with setting up and reviewing SME policies. The second part of the recommendations is directed at the small businesses in the petroleum distribution sector.

6.3.1 Recommendations to Policy makers

According to the preceding analysis, the measures that the policy makers must put in place to address the ineffectiveness of the SME policy framework, the sector specific policies and other policies that greatly impact on the SMEs but are not under the direct control of the main SME department are as follows:

- The main SME department must conduct sector specific targeted communication campaigns to inform the SMEs of government policy objectives, programmes that are meant to support the SMEs, and institutions that SMEs can access for assistance.

- A review of the implementations of the SME policy framework is necessary. Stakeholders from small businesses should be engaged in this process of review.
- Main SME department to liaise with other government departments to align the policies that impact on the SME sector and to influence them in favour of the SME during their drafting process.
- The sector department must commission an evaluation of progress (independent or government) and introduce ongoing monitoring processes and enforcement of compliance to the conditions of licences.
- Both the SME department and the sector department must investigate funding options for SMEs in the petroleum distribution sector.
- Provide education on procedures and processes with respect to licenses, permits, margins and business basics.
- New enterprise development initiatives must be introduced, and basic courses in business management must be made part of the conditions of granting licences.
- The SME department must unlock barriers in the supply chain e.g. pipeline, storage facilities, berths, pricing structures, finance (e.g. Development Bank of SA) to encourage the development, sustainability and growth of SMEs in the petroleum distribution sector.
- Sector department should embark on a drive to attract youth into the petroleum distribution industry.
- Government departments, policy makers or implementers must foster a culture of consistent evaluation.

Improving the provision of general information on SME-related government measures is crucial for the implementation of government policy and programmes. It could be facilitated in partnership with business service providers or business associations. Also, competence building should spur the demand for financing among SMEs. The managerial competencies of SMEs especially in the field of finance have to be supported. In order to improve the level of financial knowledge among SMEs, governments could support business development services and training programmes. SMEs should be engaged in the design of relevant finance-related policies and programmes from the outset to ensure that their perspectives and needs are well understood and taken into account. Regular communication and consultation with the representatives of SMEs through forums and round tables should be held to raise awareness and to assess the effectiveness of existing measures and programmes to help SMEs to access finance.

From the above it is clear there are numerous influences on entrepreneurship and small business performance in a country. It is also clear that decisions on taxation, immigration, legislative burdens and enforcement, that strongly influence SMEs, are normally made by departments of government other than the main SME department. Furthermore, the main SME department of government almost certainly exerts only a very modest influence upon these decisions. A key recommendation for SME policy makers is therefore to identify the most important of these policy influences on small businesses and then to influence key decision-making departments elsewhere in government.

6.3.2 Recommendations to SMEs

SMEs have to do their part to ensure the sustainability and growth of their businesses. The following are recommended for the SMEs to consider:

- SMEs should take advantage of programmes that are initiated to support their businesses.
- SMEs should make an effort to find out about services offered by government departments and other institutions.
- SMEs should improve the transparency of their economic and financial conditions, as well as the quality of their credit demand so that they can be assisted.
- SMEs should also manage their businesses in a formal manner, ensuring that proper record keeping is done.
- The SME owners should also improve the marketing of their businesses, and establish alternative sales and distribution channels.
- SMEs in the petroleum distribution sector must come together and establish a forum that can represent them and lobby government on their behalf.

It is clear from the above analysis that an easy, homogenous solution is not necessarily possible as a result of the complex environment in which the SMEs operate. In addition, no solution will be easy to implement. However, small steps as suggested above could ensure that government policy becomes effective and that SMEs succeed.

6.4 Suggestion for further research

The following could be explored in future research:

- Research must be undertaken to establish the impact of policies that are not considered SME policies and are not under the direct control of the main SME department on small businesses.
- A study to establish the extent of the global financial impact on the SME sector and the support measures necessary to boost their recovery.
- A research project seeking to examine the contribution of poor management skills to the failure of or problems experienced by small businesses must be conducted.
- The extent of a lack of collateral as a factor adversely affecting the access to finance amongst small businesses needs to be further researched. The main causes of the lack of collateral for small businesses need to be further identified.
- Research needs to be undertaken on government policies, with the aim of establishing whether government policies regarding SME support are consistent throughout the election cycle, or whether there is a change in government policies regarding SME support based on the stages of the election cycle.
- Establish the failure rate versus the success rate of SMEs in the petroleum distribution sector that managed to be issued with trading or wholesale licenses, and establish the causes for failures and success.
- A research project evaluating the performance of Businesses started by returnees (i.e. those who once emigrated and on their return started a new business).

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APPENDIX A: ACTUAL RESEARCH INSTRUMENT

TO WHOM IT MAY CONCERN

An Invitation to participate in Evaluating Effectiveness of SME policy framework in the South African Petroleum Distribution/Wholesale Sector

As part of my thesis towards a Masters degree in Business Administration (MBA) from WITS Business School (WBS), I am conducting research into the effectiveness of SME policy framework in South Africa. The title of my thesis is: *Evaluating Effectiveness of the SME Policy Framework in the South African Petroleum Distribution/Wholesale Sector.*

The purpose of this research is to evaluate the effectiveness of small and medium sized enterprise policy framework in South Africa. In particular, the research seeks to evaluate effectiveness of SME policy in the petroleum distribution sector in South Africa.

Your company has been chosen from the database of licensed wholesalers/distributors at the Department of Energy. You are kindly invited to participate in this exploratory study, by attending one of the focus group meetings with other distributors who have been selected. The focus group meeting will take place on Tuesday the 20th April 2010 and Wednesday the 21st April 2010 in Pretoria. The times for the meetings are as follows, on Tuesday from 08h30-10h30; 11h30-13h30; 14h30-16h30 and on Wednesday from 09h00-11h00 and 12h00-14h00.

Venue: 8th Floor, Board Room 8B
Corner Andries and Visagie Street
Minerelia Centre; Pretoria

Please indicate the date and time you will be able to attend the focus group meeting, since a limited number will be allowed per session. There is no obligation and all information will be treated with the strictest confidence. However, I will greatly appreciate your participation and your valuable inputs in this study.

A copy of this study will be submitted to some officials of the Department of energy so that they get a sense of how the SMEs evaluate the policies they are responsible for.

Please confirm your attendance by close of business on Friday 16th April 2010 by sending an email to bzall01@hotmail.com or victor.sibiya@energy.gov.za or on 072 2999 787 or 012 444 4152.

Your participation as a licensed petroleum distributor will greatly enrich this study. Should you require any additional information, my contact details are as follows:

Work: 012 444 4152

Mobile: 072 299 9787

Email: bzall01@hotmail.com

Warm regards

VICTOR SIBIYA

WBS MBA STUDENT

PROFILE INFORMATION

Please complete the form and return it to one of the facilitators before we start. Note that the information you are providing will be treated with strict confidence and will be used for statistical purposes for the purpose of this research.

Company Name:

Please enter the name of the company you represent:

Wholesale Licence number:

Please enter your company's Licence number issued by the DoE:

Is your company HDSA wholesaler? YES NO

Was your company trading before 17 March 2006? YES YES

Respondent Name:

Please enter your name here:

Title / Designation:

Please enter your job title here:

Telephone Number/s:

Please enter your answer here:

Email address:

Please write your email address here:

Signature:

Date:

ACTUAL RESEARCH QUESTIONS

The following were the actual research questions used during the focus group meeting to guide the discussions. Participants were informed of the protocol that will be followed in conducting the discussions and how some answers will have to be provided in writing using the cards and answer sheets provided.

Questions on the Broad SME Policy Framework

The Department of Trade and Industry is the main SME department responsible for developing SME/SMME policies in South Africa. One of the policy frameworks that have been developed by the DTI is the 1995 White Paper: The National Strategy on the Development and promotion of Small Businesses in South Africa.

The following question seeks to establish your awareness of the overall goal of government in developing the SME policy framework as outlined in the National Strategy on the Development and Promotion of Small Businesses in SA.

1. **What do you think are the broad SME policy objectives of government in South Africa?** *(Please use the cards provided to write your answer, one objective per card)*

2. **This is the consolidated list of the objectives that have been identified, let us discuss each objective. What do these objectives seek to achieve? And why?**

There are several objectives of the broad SME policy framework as outlined in the National Strategy. These objectives are projected on the screen (note that some may differ from those you have already identified). Using these objectives, please evaluate effectiveness of the SME broad policy framework in developing and promoting small businesses particularly in the petroleum distribution sector.

3. **How effective has the SME broad policy framework been in *creating an enabling legal framework to develop and promote* SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

4. **How effective has the SME broad policy framework been in <u>streamlining regulatory conditions</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

5. **How effective has the SME broad policy framework been in <u>facilitating access to information and advice</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

6. **How effective has the SME broad policy framework been in <u>facilitating access to marketing and procurement</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

7. **How effective has the SME broad policy framework been in <u>facilitating access to finance</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

8. **How effective has the SME broad policy framework been in <u>facilitating access to affordable physical infrastructure</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

9. **How effective has the SME broad policy framework been in <u>providing training in entrepreneurship, skills and management</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

10. **How effective has the SME broad policy framework been in <u>improving industrial relations and the labour environment</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

11. **How effective has the SME broad policy framework been in <u>facilitating access to appropriate technology</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

12. **How effective has the SME broad policy framework been in <u>encouraging joint ventures</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

13. **How effective has the SME broad policy framework been in <u>capacity building and institutional strengthening</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	***Effective***	***Neutral***	***Ineffective***	***Highly ineffective***

14. **How effective has the SME broad policy framework been in <u>introducing differential taxation and other financial incentives</u> to develop and promote SMEs in the petroleum distribution sector in South Africa?** (Please use the answer sheet provided to write your answer by putting an X under one of the criteria, an example is on the screen).

Highly effective	***Effective***	***Neutral***	***Ineffective***	***Highly ineffective***

15. **Please motivate why you evaluated a particular objective the way you did?** *(This is for discussion as a group; you do not have to write your answer, but please identify yourself before you speak)*

Questions on the Sector Specific Policy Framework

The Petroleum Industry is one of the strategic industries in South Africa. This industry is regulated by the Department of Energy. The DoE is responsible for developing sector specific policies that addresses issues that affect the petroleum industry alone; such as pricing regulations; petroleum licensing regulation; transformation of the industry; fuel specifications; etc. The following questions seek to assess whether the sector specific policies has been effective in removing these inherent barriers to entry and thereby encourage the development and success of small businesses in the petroleum distribution sector.

16. **How effective has the sector specific policy framework been in <u>promoting an efficient petroleum distribution industry</u> in South Africa?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	***Effective***	***Neutral***	***Ineffective***	***Highly ineffective***

17. **How effective has the sector specific policy framework been in <u>facilitating an environment conducive to efficient and commercially justifiable investment</u> in the petroleum distribution industry in South Africa?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

18. **How effective has the sector specific policy framework been in <u>facilitating the creation of employment opportunities and the development of small businesses</u> in the petroleum distribution industry in South Africa?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

19. **How effective has the sector specific policy framework been in <u>ensuring countrywide availability of petroleum products at competitive prices</u> by the petroleum distribution industry in South Africa?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

20. **How effective has the sector specific policy framework been in assisting the SMEs in the petroleum distribution industry to <u>promote access to affordable petroleum products by low-income consumers for household use</u> in South Africa?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

21. **How effective has the sector specific policy framework been in <u>transforming</u> the petroleum distribution sector in South Africa?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

22. **How effective has the sector specific policy framework been in addressing pricing transparency for SMEs in the petroleum distribution sector?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

23. **Please let's discuss the effectiveness of the socio-economic policy framework as you evaluated it.** *(This is for discussion as a group; you can also provide written answers in the answer sheet provided, but please identify yourself before you speak)*

24. **How effective has the sector specific policy framework been in addressing the challenge of access to <u>petroleum infrastructure</u> by SMEs in the petroleum distribution sector?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

25. **How effective has the sector specific policy framework been in addressing the challenge of <u>access to petroleum products</u> by SMEs in the petroleum distribution sector?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

26. **How effective has the sector specific policy framework been in addressing <u>pricing transparency</u> for SMEs in the petroleum distribution sector?** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

27. **Please let's discuss the effectiveness of the socio-economic policy framework as you evaluated it.** *(This is for discussion as a group; you can also provide written answers in the answer sheet provided, but please identify yourself before you speak)*

Questions on the Socio-Economic Policy Framework

It was established during the literature review that there are other socio-economic policies that have an influence on the success and failures of SMEs in the petroleum distribution sector but are not under the direct control of the main SME department or sector department. The following research questions seek to better understand the effectiveness of these other socio-economic policies in making it easy for SMEs to do business in South Africa.

28. **Please evaluate effectiveness of the <u>macroeconomic policies</u> in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

29. **Please evaluate the effectiveness of <u>taxation policies</u> in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

30. **Please evaluate the effectiveness of the <u>competition policies</u> in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

31. **Please evaluate the effectiveness of the <u>labour policies</u> in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

32. **Please evaluate the effectiveness of the <u>business registration policies</u> in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

33. **Please evaluate the effectiveness of the <u>immigration/emigration policies</u> in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.** (*Please use the answer sheet provided to answer by marking X in the column with the criteria that best describe your assessment).*

Highly effective	*Effective*	*Neutral*	*Ineffective*	*Highly ineffective*

34. Please let's discuss the effectiveness of the socio-economic policy framework as you evaluated it. *(This is for discussion as a group; you can also provide written answers in the answer sheet provided, but please identify yourself before you speak.)*

APPENDIX B: CONSISTENCY MATRIX

A consistency matrix is a powerful tool in assisting to align sub-problems, the references that are used to investigate each sub-problem in turn and the hypothesis or proposition or research question that resulted from the literature reviewed. It also lists the analysis method to be used to analyse the data.

Table 9: Consistency matrix

Research problem stated here: The purpose of the research is to evaluate the effectiveness of the SME policy framework in the South African Petroleum Distribution Industry.

Sub-problem	Literature Review	Research questions	Source of data	Type of data	Analysis
Identify policy analysis methodology for evaluating the effectiveness of public policy.	Owen, J. (2006); Cloete F. and Wissink H. (eds) (2000); Dunn, W. N. (1981); Dunn, W. N. (1994); Dunn, W. N. (2004); Dye, T. R. (1992); Dye, T. R. (2002); Dye, T. R. (2005); Greene, J. C. (2005); Owen, J. (2006); Papaconstantinou, G. and Polt, W. (1997); Rossi, P. H. and Freeman, H. E. (1993); Rossi, P. H., Lipsey, M.W. and Freeman, H. E. (2004); Scriven, M. (1991); and Visagie, J. C. (1997)	No research question since the methodology was identified and used to evaluate the effectiveness of the SME policy framework.	Literature review	Qualitative	Familiarisation; content analysis; Interpretation and descriptive analysis.
Identify and evaluate effectiveness of the broad SME policy objectives delivered by the main SME department of the South African government.	Hetherington (1989); Beyene (2002); Barnard (1996); Tate et al. (1982); Sanchez (2006); Ntsika (2002); Rogerson (2004); Rogerson (1999); Kesper (2001); Mead (1998); Nieman (2001); RSA (1995b); Lloyd (2002); Cant and Stanford (2004); RSA (1995a); Mollentz (2002); Bezuidenhout et al.(2005); Berry et al. (2002); ICC (1999); Hill et al. (2006); Kesper (2000)	What are the broad SME policy objectives in South Africa? How have the broad SME policy objectives in South Africa been effective in creating conducive environment for SMEs in the petroleum distribution sector to grow and be sustainable?	Focus group Interviews; Literature review of academic, government and other publications; and Observations made by researcher during interviews.	Qualitative	Familiarisation; content analysis; Interpretation and descriptive analysis.

Research problem stated here: The purpose of the research is to evaluate the effectiveness of the SME policy framework in the South African Petroleum Distribution Industry.					
Sub-problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
Identify and evaluate effectiveness of the sector specific SME policy intervention in the petroleum distribution industry delivered by the sector department (the DoE) of the South African government.	RSA (1998) RSA (2003)	How effective has the sector specific policy framework in the petroleum distribution industry?	Focus group Interviews; Literature review of academic, government and other publications; and Observations made by researcher during interviews.	Qualitative	Familiarisation; content analysis; Interpretation and descriptive analysis.
Identify and assess the impact of the salient attributes of the petroleum	RSA (1998) RSA (2003)	And how effective the sector specific policy intervention been in addressing the salient attributes that hinders the emergence and success of SMEs in the sector?	Focus group Interviews; Literature review of academic, government and other publications; and Observations made by researcher during interviews.	Qualitative	Familiarisation; content analysis; Interpretation and descriptive analysis.
Evaluate other socio-economic policies which influence SMEs that are delivered by departments of government that do not view themselves as having SMEs as their prime, or perhaps even their partial focus.	Shane (1996); Cullen and Gordon (2002); Parker (1996); Parker and Robson (2004); Cosh et al (2006); Bruce (2000); Folster (2002); Schuetze (2000); Davis and Henrekson (1999); Wren (1999); Bruce (2000); Robson and Wren (1999); Schuetze and Bruce (2004); Michaelas, Chittenden and Poutziouris (1999) Bjuggren and Sund (2005); Westhead and Cowling (1998); Nickell (1997); Djankov et al. (2002); Baumol (1990); Capelleras et al. (2008); World Bank (2010); Andersson and Wadensjo (2004); Andersson and Wadensjo (2004); Saxenian (1999); Ghencea and Gudumac (2004); Storey (2005); Michaelas et al. (1999); Morand (2003)	How effective is the socio-economic policy framework in making it easy for SMEs in the petroleum distribution sector to do business in South Africa?	Focus group Interviews; Literature review of academic, government and other publications; and Observations made by researcher during interviews.	Qualitative	Familiarisation; content analysis; Interpretation and descriptive analysis.

APPENDIX C: EVALUATION MATRIX

Table 10: Evaluation Matrix

Overall purpose of the SME policy	Key objectives	Evaluation questions	Required information	Evaluation methods
EFFECTIVENESS OF THE BROAD SME POLICY FRAMEWORK IN THE SOUTH AFRICAN PETROLEUM DISTRIBUTION SECTOR				
To promote and develop small businesses in the economy	Creating an enabling legal framework; Streamlining regulatory conditions; Facilitating access to information and advice; Facilitating access to marketing and procurement; Facilitating access to finance; Facilitating access to affordable physical infrastructure; Providing training in entrepreneurship, skills and management; Improving industrial relations and the labour environment; Facilitating access to appropriate technology; Encouraging joint ventures; Capacity building and institutional strengthening; and Introducing differential taxation and other financial incentives	How effective has the SME broad policy framework been in *promoting and developing* SMEs in the petroleum distribution sector in South Africa?	Participant's feelings and judgements of the role played by the policy. Perceptions of usefulness of the policy framework Participants perceptions of benefits derived as a results of the existence of the policy	Focus groups of participants Analysis of respondents benefits as a results of the existence of the policy Interviews with policy makers to verify and confirm the findings
EFFECTIVENESS OF THE SECTOR SPECIFIC POLICY FRAMEWORK IN THE SOUTH AFRICAN PETROLEUM DISTRIBUTION SECTOR				
An efficient and internationally competitive industry; An equitable balance between the interests of industry participants and consumers; An environment conducive to synergistic investment in the Petroleum sector and the related petro-chemical industry; An industry supportive of government's broader social and economic goals; The meaningful inclusion of those interests which have been historically disadvantaged;	Promote an efficient distribution petroleum industry; Facilitating an environment conducive to efficient and commercially justifiable investment; The creation of employment opportunities and the development of small businesses in the petroleum distribution sector; Ensuring countrywide availability of petroleum products at competitive prices; Promoting access to affordable petroleum products by low-income consumers for household use; and Transform the petroleum distribution sector	How effective has the sector specific policy framework been in creating conducive environment for SMEs in the petroleum distribution sector in South Africa? How effective has the sector specific policy framework been in levelling the playing for the petroleum distribution sector in South Africa?	Participant's feelings and judgements of the role played by the policy. Perceptions of usefulness of the policy framework Participants perceptions of benefits derived as a results of the existence of the policy	Focus groups of participants Analysis of respondents benefits as a results of the existence of the policy Interviews with policy makers to verify and confirm the findings

EFFECTIVENESS OF THE OTHER SOCIO-ECONOMIC POLICY FRAMEWORK IN THE SOUTH AFRICAN PETROLEUM DISTRIBUTION SECTOR				
To contribute towards making it easy for SMEs to do business in South Africa	Macro policies that are developed to create a stable economic environment, with low inflation, interest rates and unemployment; To ensure that tax policies are not inhibiting the growth of SMEs; To ensure that Labour policies do not inhibit the development and growth of SMEs; To ensure that business regulation policies (licensing policies) do not inhibit the start up of new enterprises; To promote the development of small businesses through the Immigration/emigration policies; and To use competition and public procurement policies to promote SMEs.	Please evaluate the effectiveness of each of the socio-economic policies in making it easy for SMEs in the petroleum distribution sector to do business in South Africa.	Participant's feelings and judgements of the role played by the policy. Perceptions of usefulness of the policy framework Participants perceptions of benefits derived as a results of the existence of the policy	Focus groups of participants Analysis of respondents benefits as a results of the existence of the policy Interviews with policy makers to verify and confirm the findings

APPENDIX D: DEMOGRAPHIC PROFILE

Table 11: List of Potential Respondents invited to participate on the study

No.	Company Name	Type of Licence	HDSA	Invitation sent successfully	Interview Attended
1	AFRICAN ENERGY	Conversion	No	Yes	Yes
2	WASASA TRADING (PTY) LTD	Conversion	No	Yes	Yes
3	VUYO PETROLEUM	Conversion	No	Yes	Yes
4	VIVA OIL (PTY) LTD	Conversion	No	Yes	Yes
5	LAVELA PETROLEUM (PTY) LTD	Conversion	No	Yes	Yes
6	GAS2LIQUIDS(PTY)LTD	Conversion	Yes	Yes	No
7	GTL RESOURCES MARKETING (PTY) LTD	Conversion	No	Yes	Yes
8	DEVELEX PETROLIUM DISTRIBUTORS	Conversion	No	No	No
9	BLACK KNIGHT OIL (PTY) LTD	Conversion	No	No	No
10	WICKLOW PETROLEUM CC	Conversion	No	No	No
11	MAFUTHA PETROCHEM SERVICES (PTY) LTD	Conversion	No	Yes	Yes
12	ROYALE ENERGY LIMITED ROYALE ENERGY	Conversion	No	Yes	Yes
13	TSHWANE ENERGY TRADERS CC	Conversion	No	Yes	Yes
14	ANMARKATI VERSPREIDERS ANMAR	Conversion	No	Yes	Yes
15	CIANAM TRADING 119 PTY LTD	Conversion	No	Yes	Yes
16	HAMMERTONE FUELS CC	Conversion	No	Yes	Yes
17	BIG RED INVESTMENTS	Conversion	No	Yes	Yes
18	AL HAMZA FUEL & LUBRICANTS CC	Conversion	No	Yes	Yes
19	BRENT OIL (PTY) LTD	Conversion	No	Yes	Yes
20	NORTH WEST LUBRICANTS PTY LTD	Conversion	No	Yes	Yes
21	ZR PETROLEUM MARKETING PTY LTD	Conversion	No	Yes	Yes
22	NELESCO 450	Conversion	No	Yes	No
23	INTERTRANS OIL SA(PTY) LTD	Conversion	No	Yes	Yes
24	ENERGY OIL (PTY) LTD	Conversion	No	Yes	Yes
25	GRAND CENTRAL AIRPORT (PTY) LTD	Conversion	No	Yes	No
26	MASANA PETROLEUM SOLUTIONS (PTY) LTD	Conversion	No	Yes	No
27	SOLGAS (PTY) LTD	Conversion	No	Yes	Yes
28	MABOGOANE DISTRIBUTION SERVICE CC	Conversion	No	No	No
29	CRESCENT PETROLEUM DISTRIBUTORS	Conversion	No	No	No
30	IDEAL TRADING 55 CC	Conversion	No	No	No
31	A EN J PETROLEUM GATEWAY FUELS	New	No	Yes	Yes
32	MBT PETROLEUM (PTY) LTD	New	No	Yes	Yes
33	BULKLINK CC ACTION FUELS	New	No	Yes	Yes

No.	Company Name	Type of Licence	HDSA	Invitation sent successfully	Interview Attended
34	OMPHILES TRADING CC	New	No	Yes	Yes
35	WAKA INVESTMENT PTY LTD AFPET WHOLESALE PETROLEUM AND ABRASIVES	New	No	Yes	Yes
36	DUMELA FUELS CC	New	No	Yes	Yes
37	AFRICAN OXYGEN LTD	New	No	Yes	Yes
38	SYNERGY PETROLEUM	New	No	Yes	Yes
39	FORCE FUEL	New	No	Yes	Yes
40	AUTO COMMODITIES (PTY) LTD	New	No	Yes	Yes
41	GENERAL ENERGY SYSTEMS (PTY) LTD	New	No	Yes	Yes
42	M & H DISTRIBUTORS AND DELIVERY SERVICES	New	No	No	No
43	ROYAL WHOLESALE PARAFFIN DISTRIBUTORS	New	No	No	No
44	PETROMAR INTERNATIONAL PTY LTD	New	No	No	No
45	MANYUSWA PETROLEUM PTY LTD	New	No	No	No
46	IMBIZO PETROLEUM TRADERS PTY LTD	New	Yes	Yes	Yes
47	RELIABLE PARAFFIN DISTRIBUTORS PTY LTD	New	No	No	No
48	MOHWELERE ENERGY SUPPLIES (PTY) LTD	New	Yes	Yes	Yes
49	SHINING STAR PETROCHEM AND FINANCE SERVICES	New	No	No	No
50	HAMWIGAS (PTY) LTD	New	No	No	No
51	ELEGANT FUEL	New	No	No	No
52	MMAPHO GAS AND ENERGY (PTY) LTD	New	Yes	Yes	Yes
53	LOUVOR TRADING (PTY) LTD	New	No	No	No
54	DUMEHLEZI WAREHOUSING AND TRANSPORTATION	New	No	Yes	No
55	HEIOS INVESTMENT CC	New	No	Yes	No
56	TIRANI PETROLEUM (PTY) LTD	New	No	No	No
57	BORUTHO GAS SUPPLY	New	No	No	No
58	FINISHING TOUCH TRADING 417 (PTY) LTD	New	No	Yes	No
59	BLACK PETROLEUM CORPORATION	New	No	No	No
60	ENERCORP AFRICA (PTY) LIMITED	New	Yes	Yes	Yes
61	MMAMPILO SUPPLIERS (PTY) LTD	New	No	No	No
62	TSHIVHUNO MANAGEMENT SERVICES	New	No	No	No
63	YEM-YEM PETROLEUM (PTY) LTD	New	Yes	Yes	Yes
64	MADOSHA LOGISTICS	New	No	No	No
65	AYANA GENERAL TRADING (PTY) LTD	New	Yes	Yes	Yes
66	UMVUZO ENERGY (PTY) LTD	New	No	No	No
67	DCM PETROLEUM PRODUCTS WHOLESALE	New	No	No	No
68	UKUQALA ENERGY CENTRE (PTY) LTD	New	No	No	No

No.	Company Name	Type of Licence	HDSA	Invitation sent successfully	Interview Attended
69	PJM PETROLEUM	New	No	Yes	No
70	BOLENG PETROLEUM	New	No	Yes	No
71	THEMASE BUSINESS ENTERPRISE	New	No	Yes	No
72	THEMBELE PETROLEUM CO (PTY)	New	No	Yes	No
73	THOLO ENERGY SERVICES	New	No	No	No
74	BELL PETROLEUM	New	No	Yes	No
75	MZANTSI PETROLEUM	New	No	No	No
76	NGUNA PETROLEUM	New	No	No	No
77	BRANDVLEI VERSPREIDERS	New	No	Yes	No
78	AYANDA BUSINESS ENTERPRIZE	New	No	No	No
79	SYDNEY KUNENE TRANSPORT CC	New	No	Yes	No
80	INFINITENERGY COMMODITY TRADING ENTERPRISE	New	No	Yes	Yes
81	MOKONE PETROLEUM	New	No	Yes	Yes
82	BOB MALUNGA IMPORT AND EXPORT AGENCIES CC	New	No	Yes	Yes
83	REATILE RESOURCES (PTY) LTD	New	Yes	Yes	Yes
84	TIPUBLOX (PTY) LTD	New	No	Yes	Yes
85	KRANSBERG PETROLEUM (SA) CC	New	No	Yes	Yes
86	MOONSTONE INVESTMENTS 29 PTY LTD	New	No	Yes	Yes
87	VENOIL	New	No	Yes	Yes
88	MOGALAKWENA BRANDSTOF VERSPREIDERS CC	New	No	Yes	Yes
89	UMVUSO ENERGY	New	Yes	Yes	Yes
90	TEN FOUR ENERGY CC	New	No	Yes	Yes
91	FRANS PIETERSE OIL DISTRIBUTORS (PTY) LTD	New	No	Yes	Yes
92	KANIVEST DISTRIBUTORS	New	No	Yes	Yes
93	PIETERSBURG GAS AND HARDWARE	New	No	Yes	Yes
94	AIRPORT REFUELING SERVICES	New	No	Yes	Yes
95	SKY PETROLEUM	New	Yes	Yes	Yes
96	THUSANANI LEMBA OIL	New	No	Yes	Yes
97	RIVONI PETROLEUM (PTY) LTD	New	No	Yes	Yes
98	JUNGLE ARROW TRADING 6	New	No	No	No
99	SIMANAMIX PTY LTD LEEUW ENERGY	New	No	Yes	Yes
100	LEBOMBO PETROLEUM VERSPREIDERS	New	No	Yes	Yes
101	UNCLE SAM'S DISTRIBUTORS	New	No	Yes	Yes
102	TOWER CITY TRADING 343	New	No	Yes	Yes
103	OLIE VERSPREIDERS	New	No	Yes	Yes
104	AY VAN WYNGGAARDT LEANDRA DIESEL (ENGEN)	New	No	No	No
105	GOLDEN SHELF TRADING 16 (PTY) LTD	New	No	Yes	Yes
106	ATLANTIC ENTERPRISES	New	No	Yes	Yes

No.	Company Name	Type of Licence	HDSA	Invitation sent successfully	Interview Attended
107	CORNER-2-CORNER DISTRIBUTORS	New	No	Yes	Yes
108	KADSONS GLASS CC	New	No	No	No
109	BOSBOK OLIE EIENDOMS BEPERK	New	No	Yes	Yes
110	WINKELHAAK VERSPREIDERS HENDRINA BK	New	No	No	No
111	WINKELHAAK VERSPREIDERS BK	New	No	Yes	No
112	GDD DIESEL VERSPREIDERS BK	New	No	Yes	No
113	STANDERTON PETROLEUM	New	No	Yes	Yes
114	NTERSTATE CLEARING 116 (PTY) LTD	New	No	Yes	Yes
115	NKOMAZI FUEL ISSUED	New	No	Yes	Yes
116	PH BROKERS	New	No	Yes	No
117	BOUVEST 2285 CC	New	No	Yes	No
118	MUSIWA HOLDINGS	New	Yes	Yes	No
119	MZIKI OIL PTY LTD	New	No	Yes	Yes
120	NOOA PETROLEUM	New	Yes	Yes	Yes

Source: Author (2010)

Table 12: Number of Respondents Invited vs. Accepted

Respondents	Invited (Successfully delivered)	Accepted
SMEs	120	69
Department of Trade and Industry	2	1
Department of Energy	4	3

Source: Author (2010)

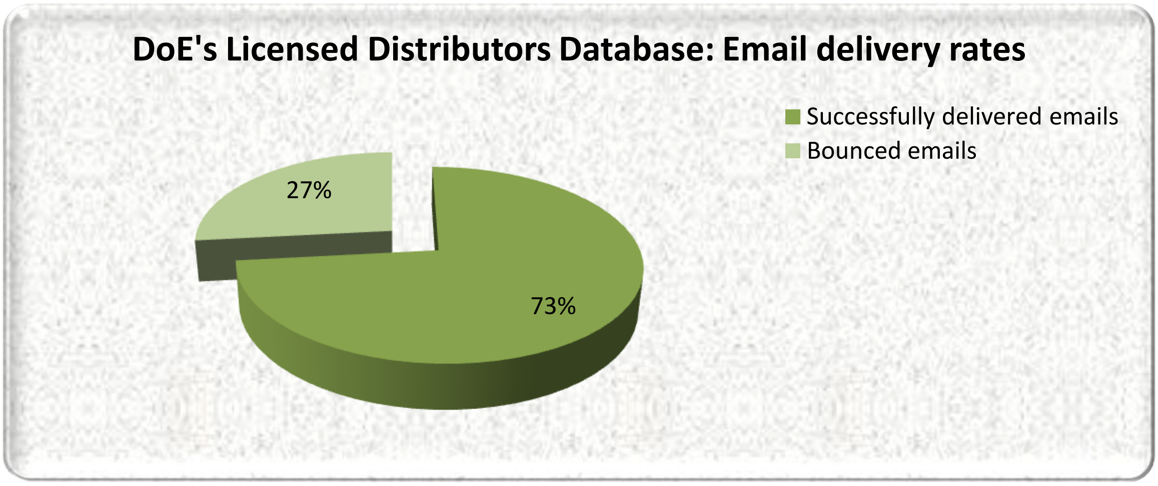

Figure 7: DoE Licensed Distributors' Database- Email Delivery rates

(Author 2010)

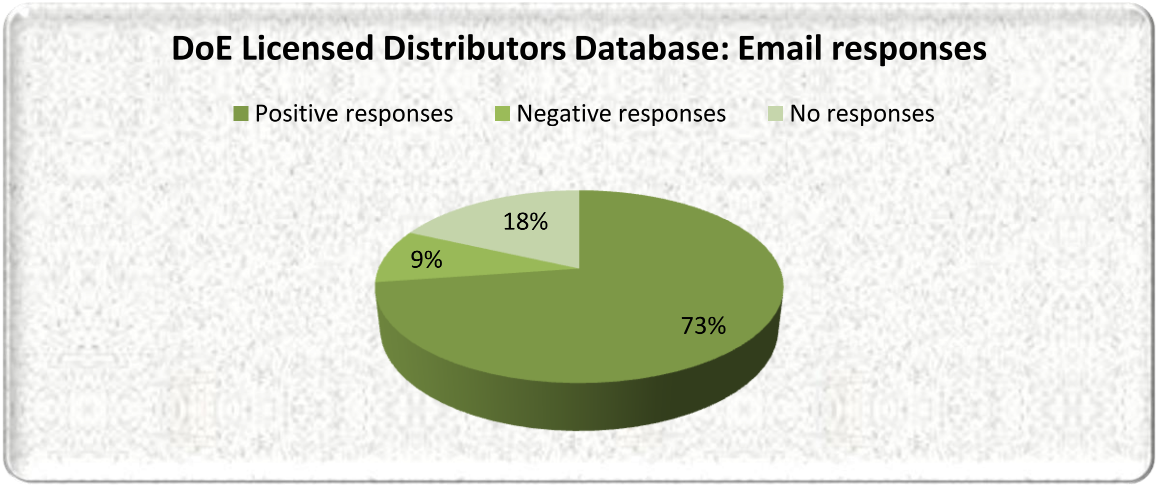

Figure 8: DoE Licensed Distributors' Database- Email response rates

(Source: Author 2010)

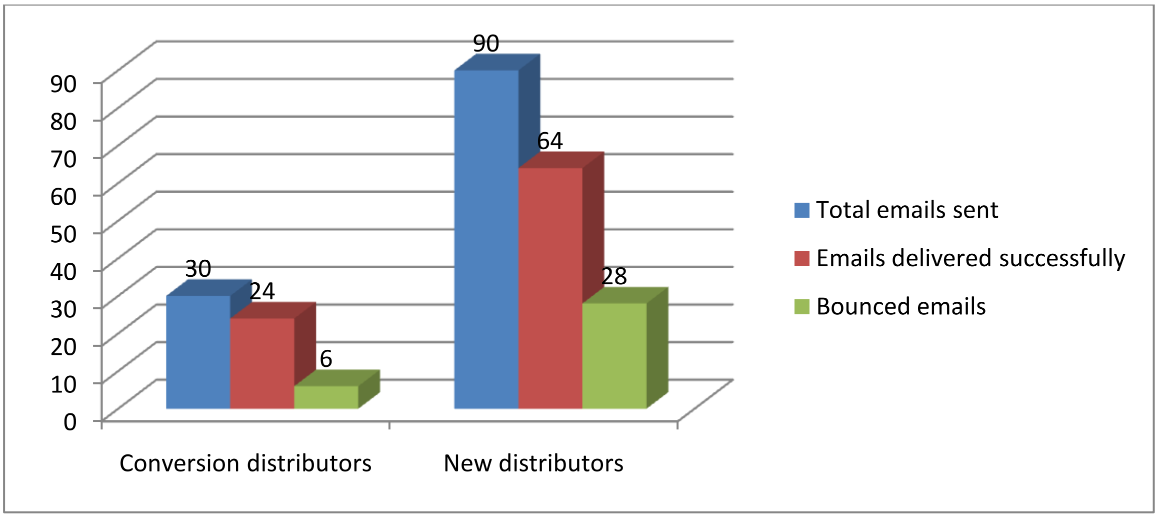

Figure 9: Delivery and Failed Emails per License Type

(Source: Author 2010)

Figure 10: Respondents' Response Rate per Licensed type

(Source: Author 2010)

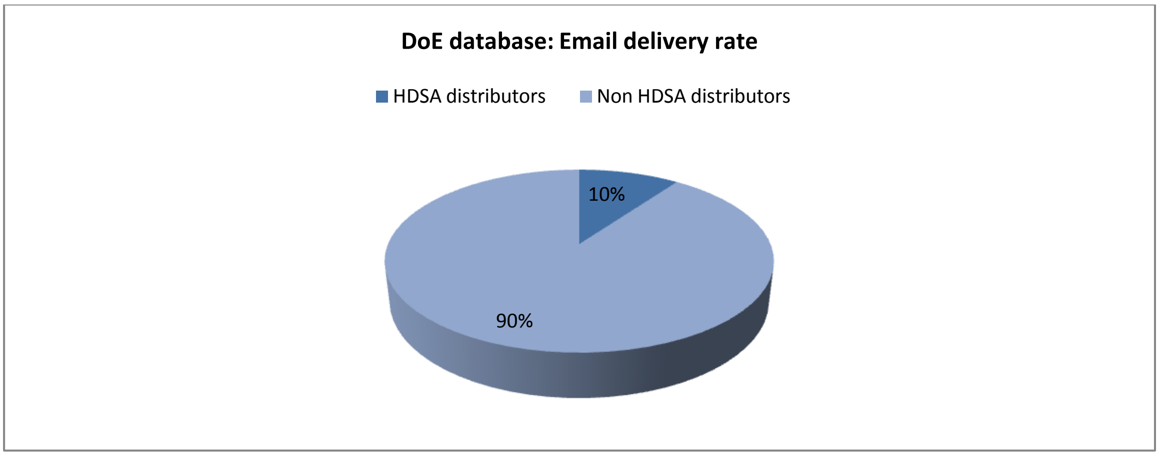

Figure 11: Email Delivery rate per Licensed Status

(Source: Author 2010)

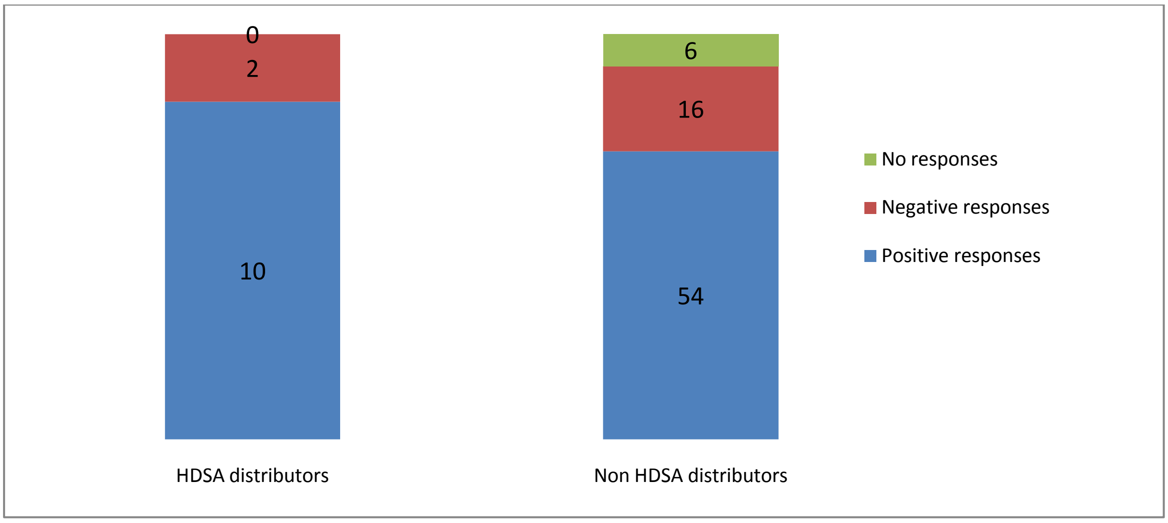

Figure 12: Response Rate per Licensed Status

(Source: Author 2010)

APPENDIX E: AN EVALUATION OF THE EFFECTIVENESS OF THE BROAD SME POLICY FRAMEWORK

Table 13: SME Broad Policy Objectives identified by the Respondents

Identified Objective	No. SME	% SME
Create an enabling environment	58	84%
Transform the economy	63	91%
Employment creation	48	70%
Poverty alleviation	55	80%
Income generation	48	70%
Rural development	42	61%
SME performance and competitiveness	52	75%

(Source: Author 2010)

Table 14: Analysis of discussions of SME broad policy objectives identified by SME respondents

Objective as identified by Respondents	Discussion
An enabling environment	The research found that 84% of the SME respondents identified the creation of an enabling environment as one of the broad SME policy objectives in South Africa. Government officials who were interviewed confirmed that the creation of an enabling environment for entrepreneurs to start and sustain their business is the first step towards the development of the competitive SMEs. Berry et al. (2002) had also identify the creation of an enabling environment for SME growth and levelling the playing field as the overall objective of the National Strategy for the Development and Promotion of Small Business.
Transform the economy	Berry et al. (2002) stated that government' SME policy objective was a way of seeking to address basic inequalities in the economy. Three of the four government officials interviewed agreed that transforming the economy is one of the broad SME policy objectives in South Africa. This was after ninety percent (91%) of the SMEs identified transforming the economy as an objective of the broad SME policy.
Employment creation	According to the DTI (RSA (1995)) the objective of the SME support as outlined in the National Strategy on the Development of Small Business in South Africa is to create long term sustainable jobs. The creation of employment was indeed confirmed as an objective of the SME policy in South Africa by seventy percent (70%) of SMEs and by all the government officials who took part in this research. In his state of the nation address on the 11 February 2010, President Zuma indicated that government will focus on five priorities, one of which was creating decent work (Zuma 2010). Both the SMEs and government officials who took part in this research agreed that SMEs can play a significant role in achieving this objective.

Objective as identified by Respondents	Discussion
Poverty alleviation	Government officials agreed with eighty percent (80%) of the SMEs that poverty alleviation is a goal of the South African SME policy objectives. As stated by GO3 "...poverty remains one of the biggest challenge in South Africa, and as government whatever we do, aims to alleviate poverty". Most observes concur that the SME economy can be a positive factor in contributing to poverty alleviation (Rogerson 1999; Kesper 2001).
Income generation	The discussion that ensued after seventy percent (70%) of SMEs identified income generation as an objective of the SME policy, revealed that majority of SMEs see income generation directly linked to the amount of support government gives SMEs. According to Ntsika (2002) Small Enterprises play a vital role in economic development by enabling people to generate income for their basic needs of survival. Income generation being one of the SME policy objectives was also confirmed by three of the four government officials that participated.
Rural development	Zuma (2010) identified rural development as one of five focus areas for the current administration in government. Surprisingly, only sixty one percent of SMEs identified rural development as an objective of the SME policy given the much taunted link between SME and rural development. However, all government officials agreed that rural development is an objective of the SME policy framework. GO1 stated "there is no way rural development can be achieved without SME development and support in those areas". Small Enterprises are regarded as a key contributor to economic growth, job creation and equity in South Africa (RSA (1995a)).
SME performance and competitiveness	Seventy five percent (75%) of the SMEs that identified SME performance and competitiveness as an objective of the SME policy framework argued that SME policies will be useless if it does not assist SMEs to perform and compete successfully. SME43 stated "if the SME policy does not help us compete with the big boys, then we won't be able to survive...then what is the point". Kesper (2000) argued that the objectives of the policy measures are aimed at addressing the constraints that inhibit SMEs to perform and be internationally competitive.

(Source: Author 2010)

Table 15: Consolidated results of evaluating SME broad policy objectives

SME Broad Policy Objective	Evaluation Criteria				
	Highly Effective	Effective	Neutral	Ineffective	Highly Ineffective
creating an enabling legal framework	0	7	2	16	44
Streamlining regulatory conditions	0	0	0	36	33
Facilitating access to information and advice	7	42	4	11	5
Facilitating access to marketing and procurement	0	12	6	48	3
Facilitating access to finance	0	5	1	47	16
Facilitating access to affordable physical infrastructure	0	0	0	36	33
Providing training in entrepreneurship, skills and management	1	40	2	20	6
Improving industrial relations and the labour environment	0	29	0	30	7
Facilitating access to appropriate technology	0	0	9	52	8
Encouraging joint ventures	1	46	6	10	6
Capacity building and institutional strengthening	0	33	3	30	3
Introducing differential taxation and other financial incentives	0	0	0	55	14

(Source: Author 2010)

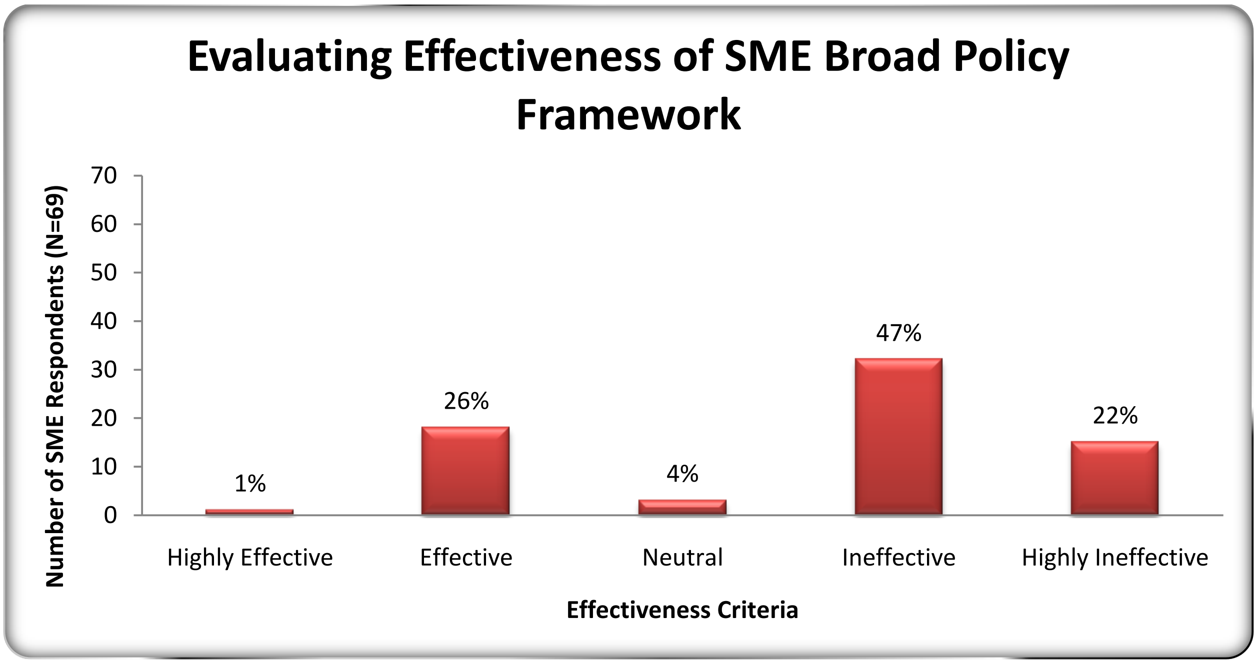

Figure 13: Outcome of evaluating effectiveness of SME Broad Policy Framework

(Source: Author 2010)

Table 16: Assessment of the effectiveness of the broad SME policy framework

Objective	Assessment of the effectiveness of the SME policy
creating an enabling legal framework	The general consensus from the SMEs in the petroleum distribution sector is that government policy has not been effective in creating an enabling legal environment. They have however pointed out that since 2006, through the licensing regime, it is easy to be recognised as a distributor once you acquire your license, but the conditions have not changed and continue to re-enforce the dominance by the major distributors.
Streamlining regulatory conditions	Despite government's noble intention as outlined in the integrated strategy on the promotion of entrepreneurship and small business, to ease the regulatory burden on small enterprises (RSA 1995a); the SMEs in the petroleum distribution sector claims that nothing has changed. The strategy called for sector departments to review the impact of their laws and regulations on small businesses. It also calls for a system of regulatory impact analysis (RIA) to be introduced, which will add well-designed procedures to reduce or eliminate the negative unintended consequences of laws and regulations, especially on job creation. The government officials interviewed could not confirm if such RIA has been introduced.
Facilitating access to information and advice	More than half the SME participants felt that government has been effective in facilitating access to information and advice through the creation of agencies. Those who felt that government policy has not been effective in this regard cited the accessibility and locations of these agencies.
Facilitating access to marketing and procurement	The general feeling from the majority of the SME participants was that the SME policy framework has not been effective in facilitating access to marketing and procurement. An official from the DTI pointed out that government does promote few SMEs through their publications that get distributed even internationally, but acknowledged that he does not know if there is any SME in the petroleum distribution sector that was ever profiled.
Facilitating access to finance	An assessment of the SME policy framework to facilitate access to finance by SME in the distribution sector was negative. The general conclusion was that the SME policy framework is ineffective in facilitating access to finance by the SME in the petroleum distribution sector. The SMEs pointed out that government policy to facilitate access to finance was more focused on the youth not necessarily the small businesses. Government officials agreed with this general observation.
Facilitating access to affordable physical infrastructure	All SMEs in the petroleum distribution sector considered access to physical infrastructure one of the barriers to entry that the policy framework has failed to address. Government acknowledged this reality and pointed out that it may take time before there could be equal access to petroleum infrastructure.

Objective	Assessment of the effectiveness of the SME policy
Providing training in entrepreneurship, skills and management	All the SME participants never attended a government initiated entrepreneurship, skills and management training. However, 60% of these participants are aware of programs that are sponsored by government, but they never had time to attend. The conclusion was that the policy objective of providing training in entrepreneurship, skills and management is somehow effective, even though the SMEs has never attended one.
Improving industrial relations and the labour environment	There was mix assessment of the effectiveness of the SME policy framework in improving industrial relations and labour environment. Those who felt that the policy framework is not effective pointed out the fact that it is not easy to dismiss an employee given the current labour regulations. But, those who felt that the policy framework is effective pointed to the fact that anyone can go to the CCMA without it costing 'an arm and a leg'.
Facilitating access to appropriate technology	The SME policy framework was considered ineffective in facilitating access to appropriate technology in the petroleum distribution sector. SME participants pointed to lack of access to pipelines, rail network and loading facilities at the ports as a reason for their assessment.
Encouraging joint ventures	The SMEs felt that the government policy does encourage joint ventures where possible. They pointed out at the competition law and the encouragement by government for small businesses to establish consortium when tendering for business.
Capacity building and institutional strengthening	The SMEs were once again divided in two halves in their assessment of the effectiveness of the SME policy framework to facilitate capacity building and institutional strengthening. The one half that felt that the policy framework has not been effective pointed out that they are not aware of any programs by government to deliver this objective. The other half though felt that the reason government has not been able to facilitate capacity building and institutional strengthening is because of lack of co-ordination amongst the SMEs in this sector, hence they cannot fault government.
Introducing differential taxation and other financial incentives	The general consensus from was that the SME policy has been ineffective in introducing differential taxation and other financial incentives in the petroleum distribution sector. Government officials concurred with the SMEs assessment of this policy objective.

APPENDIX F: AN EVALUATION THE EFFECTIVENESS OF THE SECTOR SPECIFIC POLICY FRAMEWORK

Table 17: Outcome of Evaluating Effectiveness of the Sector Specific Policy Framework

Sector Specific Policy Objectives	Effectiveness Criteria				
	Highly Effective	**Effective**	**Neutral**	**Ineffective**	**Highly Ineffective**
Promoting an efficient petroleum distribution industry	0	0	4	21	44
Facilitating an environment conducive to efficient and commercially justifiable investment in the petroleum distribution industry	0	0	0	36	33
The creation of employment opportunities and the development of small businesses in the petroleum distribution sector	2	13	3	44	7
Ensuring countrywide availability of petroleum products at competitive prices	0	12	6	48	3
Promoting access to affordable petroleum products by low-income consumers for household use	5	10	1	37	16
Transforming the Petroleum Distribution Sector	0	0	0	43	26

(Source: Author 2010)

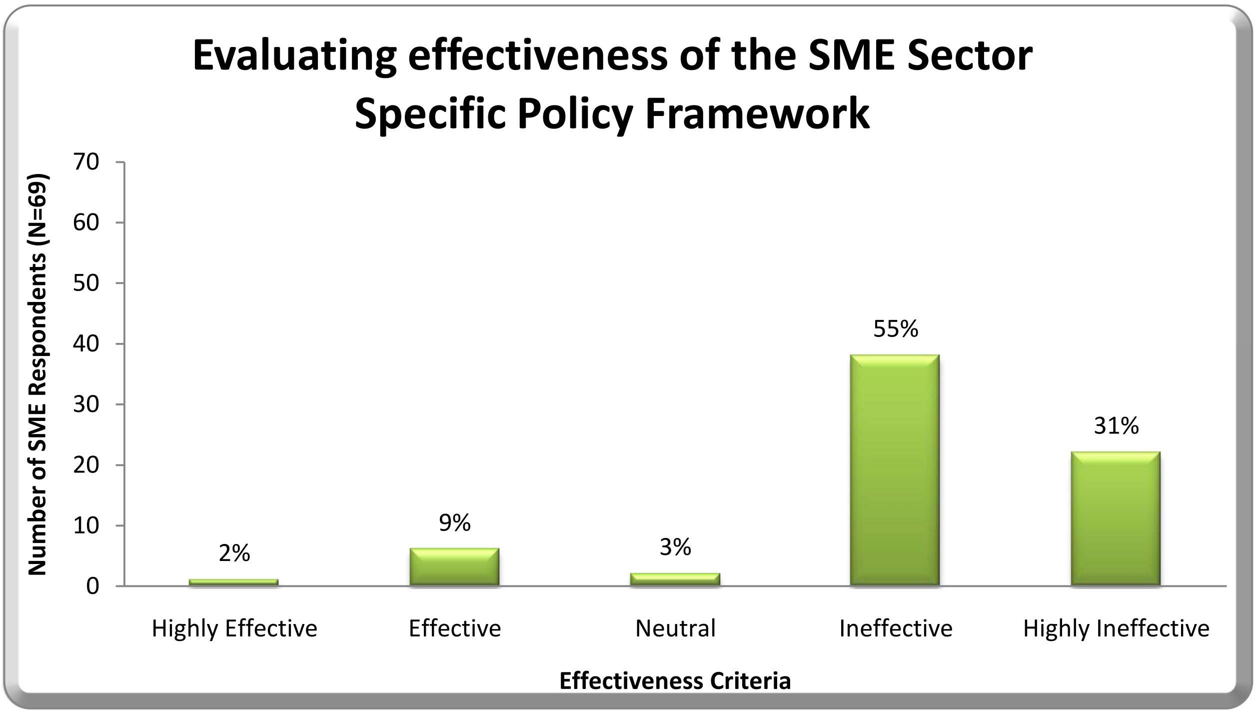

Figure 14: Outcome of evaluating effectiveness of the SME Sector Specific Policy Framework

(Source: Author 2010)

Table 18: Evaluating effectiveness of the sector specific policy framework

Objective	Assessing the effectiveness of sector specific SME policy framework
Promoting an efficient petroleum distribution industry	Government's policy intervention of introducing the sector specific policies was to promote an efficient petroleum distribution industry. An evaluation by SME respondents of whether this policy intervention is effective or not resulted in 94% (30% ineffective and 64% highly ineffective) stating that it is ineffective. SMEs argued that government policy to promote an efficient petroleum distribution industry benefits the major distribution companies rather than the small enterprises. SME33 felt that the policy intervention to promote an efficient distribution industry did not have a positive impact on the SMEs within the petroleum distribution sector. He pointed out that the petroleum distribution SMEs are not efficient. The reason pointed out for being inefficient is that the SMEs are not organised like the major petroleum distribution companies. However, government representatives felt that government has managed to promote an efficient petroleum distribution sector. GO03 pointed out that distribution companies are able to distribute products anywhere in the country regardless of whether they have storage facilities in those areas. Government representatives argued that distribution companies are able to efficiently supply their customers and minimise distribution costs by swopping or exchanging products. GO01 stated "the fact that you can go to any part of South Africa and will find petroleum products is a proof of how efficient the distribution sector has become".
Facilitating an environment conducive to efficient and commercially justifiable investment in the petroleum distribution industry	The policy intervention in the petroleum distribution sector is meant to facilitate an environment conducive to efficient and commercially justifiable investment. SME respondents were adamant that the policy intervention is not having a positive impact in terms of facilitating an environment conducive to efficient and commercially justifiable investment in the petroleum distribution industry, hence it is ineffective. The respondents (100%) felt that the policy intervention was able to make it easy for new businesses to enter the petroleum distribution sector; however these new distributors are not making any investment in the sector. SME55 pointed out that this lack of commercially justifiable investment is not only apparent amongst the SMEs but even amongst the major distribution companies. This was confirmed by government representatives who raised concerns over lack of investment in the distribution facilities. GO1 quoted the Moerana commission which found that lack of investment in distribution facilities contributed to the 2006 fuel crisis. GO03 argued that major distribution companies continue to make unjustifiable investment in the retail service stations, particularly in areas that are already saturated. This, pointed out the government official is because of the current policy of setting margins for wholesalers, which rewards investment in the retail network regardless of whether it is efficient or not. GO03 was however quick to point out that government is reviewing this wholesale margins determination policy. The results showed that 52% of the SME respondents evaluated this policy intervention as been ineffective while 48% felt it was highly ineffective.

Objective	Assessing the effectiveness of sector specific SME policy framework
The creation of employment opportunities and the development of small businesses in the petroleum distribution sector	The distribution sector is the least creator of employment opportunities within the value chain in the petroleum industry. The distribution sector however plays an important role, which enables both the manufacturing and the retail sectors to create more employment opportunities. *SME17 stated: "The majority of small distributors are owner managed and operated, so there is very few direct job opportunities that are created".* The government officials concurred with the SMEs that since 2006 the policy intervention has had a positive impact in developing small businesses in the petroleum distribution sector, particularly through the licensing regime, but not on the creation of employment. GO01 caution that even though the policy has had a positive impact in terms of the number of small distributors who has entered the sector, the sustainability and growth of these enterprises remains doubtful. The sentiments were also shared by all SMEs who expressed concern that the licensing regime has created an opportunity for them to enter the sector, but there is no support from government or major distributors once they acquire a distribution license. The evaluation of this policy objective by SME respondents revealed that 74% (64% ineffective and 10% highly ineffective) felt that the policy intervention is ineffective as compared to 22% (19% effective and 3% highly effective) who felt that the policy intervention is effective.
Ensuring countrywide availability of petroleum products at competitive prices	The question whether government policy intervention in the petroleum distribution sector has been able to ensure countrywide availability of petroleum products at competitive prices created divergent and exciting views. SME09 captured the divergent views by stating: *"the beneficiaries of countrywide availability of petroleum products at competitive prices are the big wholesale customers, but consumers do not benefit in anyway because the retail prices are set and regulated by government"*. It became apparent that competition in tendering for supply of petroleum products to big businesses and government institutions has increased with the entrance of new SMEs in the distribution sector, which created competitive prices. However, the same competition could not be achieved in the retail sector since it is dominated by the five major distributors and prices are regulated by government on a monthly basis. The conclusion that can be drawn from evaluating this policy objective is that it is ineffective supported by 74% of the respondents. Only 19% of the respondents felt that this policy intervention is effective, with 9% of respondents remaining neutral.
Promoting access to affordable petroleum products by low-income consumers for household use	The research revealed that policy intervention of promoting access to affordable petroleum products by low-income consumers for household use is also ineffective. However, 21% of SME respondents felt that this policy intervention has born some positive results. They argued that some of the SMEs in the petroleum distribution space are established to cater for the niche market of low-income consumers that has been long neglected by the major distributors. It came out during the research that SMEs are able to cost effectively distribute petroleum products to low-income consumers, thereby

Objective	Assessing the effectiveness of sector specific SME policy framework
	ensuring access to petroleum products by these consumers. GO02 pointed out that products such as paraffin and LPG are best distributed to low-income consumers by SMEs, and are able to charge affordable prices. Government also incentives SMEs distributors of paraffin by giving them rebate for distributing to low-income consumers. This rebate is collected by the major distributors who in turn supply petroleum products to the SMEs. The downside of this is that the rebate only applies to paraffin, and not any other petroleum products being distributed to the poor. The conclusion though, is that the policy intervention is ineffective and this view is supported by 77% of the SMEs in the petroleum distribution sector.
Transforming the Petroleum Distribution Sector.	All the SME respondents evaluated effectiveness of the sector specific policy intervention to transform the petroleum distribution sector to be ineffective (62% felt it is ineffective and 38% felt it is highly ineffective). SME respondents argued that the Charter had not kept pace with the changes in the petroleum distribution industry and the country. They expressed frustration at the fact that it seems as there is no process to keep it up to-date by the Department of Energy. Another point that came out from SME respondents is that compliance to the transformation principles is not monitored, and no consequences for non-compliance. SME respondents pointed out those barriers to entry, which support the major distributors, continue to exist at this day and age. SME24 pointed out the following as barriers that hamper the transformation of the distribution sector: ☞ *Access to finance* ☞ *Lack of pricing transparency* ☞ *Access to petroleum infrastructure* ☞ *Skills transfer to SMEs by major distributors* Some SME respondents argued that lack of enterprise and supplier development in the sector is a contributing factor to slow transformation. This study also discovered that women representation in the distribution sector is lacking, which can be attributed to lack of transformation in the sector.

(Source: Author 2010)

Table 19: Number of respondents per evaluative criteria

Structural Salient Attributes of the Petroleum Distribution Sector	Effectiveness Criteria				
	Highly Effective	Effective	Neutral	Ineffective	Highly Ineffective
Access to Petroleum Infrastructure	0	0	0	5	64
Access to Products	0	20	5	5	39
Pricing Transparency	0	0	3	6	60

(Source: Author 2010)

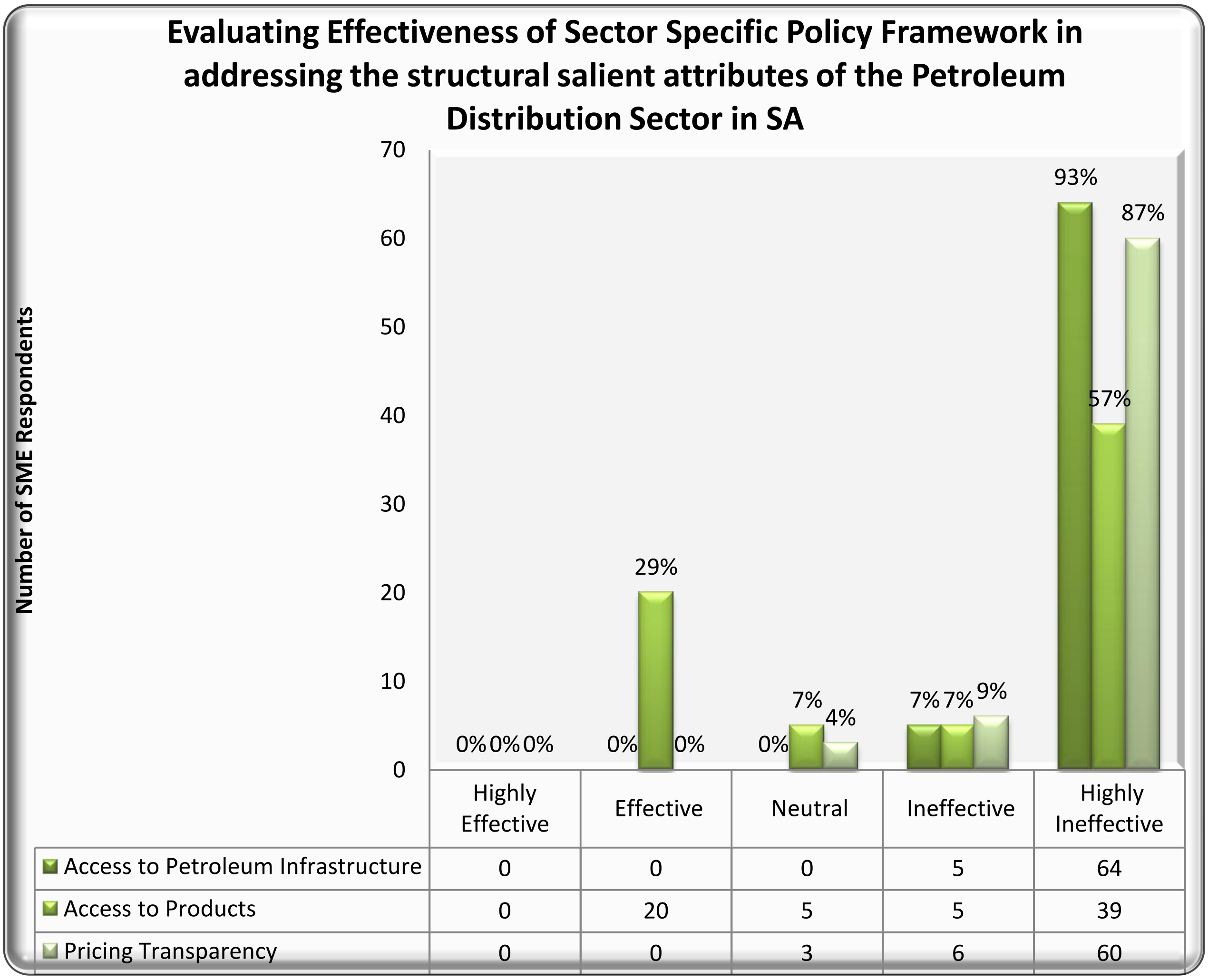

Figure 15: Outcome of evaluating effectiveness of Sector Specific Policies against salient attributes

(Source: Author 2010)

Table 20: Evaluating sector specific policy framework in addressing salient attributes

Challenges	Analysis
Access to Infrastructure	All the SME participants in the research felt that the sector specific SME policy intervention has not been effective in addressing access to infrastructure as one of the salient attributes of the petroleum distribution industry. Access to petroleum infrastructure such as the pipeline, rail and the ports are critical to the efficient and cost effective distribution of petroleum products by companies in this sector. Lack of access to these infrastructures is viewed by the SMEs as a barrier to entry into the petroleum distribution sector, which the policy should address with urgency. Government officials have acknowledged that the current policy framework has not been able to open access in an equitable way to all the distributors. GO02 stated that the volume moved by the SMEs is very insignificant compared to the volume moved by the big distributors, which becomes a challenge in terms of regulating equal access to petroleum infrastructure. However, SME continue to be deny access to the petroleum distribution infrastructure, and government seems not prepared to equally open access due to security of

	supply concerns.
Access to Petroleum Products or Refineries	About 61% of the SME participants' view is that the sector specific SME policy intervention in the petroleum distribution industry has not been effective at all in ensuring that SMEs have access to petroleum products or refineries. Whereas 31% of SME participants stated that the policy has been effective, and 8% said that the policy has been effective to some extent. What is significant about the outcome of this policy evaluation is that the 31% of the SME participants who viewed the policy to be effective in addressing access to petroleum products or refineries are those who were operational before the commencement of the licensing regime in March 2006 i.e. conversion license holders. This then suggests that these SMEs may have been operating even before the current sector specific policy intervention was introduced to give effect to the licensing regime, and have always had access to the petroleum products from the manufactures. It also means that they have always had a positive relationship with the big petroleum distributors, and some of them have been accredited by the big distributors to deliver on their behalf in rural and farming communities. However, the majority of those SME participants who viewed access to petroleum products as a challenge that the policy has failed to address were mostly new SMEs who came into the industry after March 2006. Access to petroleum products remains a challenge that many SMEs view as a strategy that is being employ by the big distributors to keep them out of business. However, according to the DME (2006) South African refineries are operating at full capacity and demand has started to exceed supply making it difficult for the major distributors to share their products with new SME distributors.
Pricing Transparency	Lack of pricing transparency is generally considered one of the continued barriers to entry into the Petroleum Distribution sector. Almost 94% of the SME participants negatively evaluated the effectiveness of the sector specific SME policy to address pricing, whereas just above 6% stated that the policy has been effective to some extent in addressing the pricing transparency in the petroleum distribution industry. The pricing challenge in the petroleum distribution has its historical origins in the secrecy that existed in the industry prior to 1994. The challenge now as expressed by the SMEs is that there seems to be a two pricing strategy being employed by the major distributors, one strategy for the SMEs and the other for the other major distributors. The SMEs allege that major distributors charged BFP to each other whereas; they charge BFP+ to the SMEs, thereby squeezing the little margins from them. SME01 puts it in detail how government is not doing anything about pricing despite several meetings with officials to raise this issue. *"...for example, many SMEs buy petroleum products from this refining wholesaler like Sasol Oil at BFP+..., but the same wholesaler sells the same products to another refining wholesaler at BFP. This is really unfair, where is fair competition there...they refuse to sell to us (SMEs) at BFP as well".* However, officials from government pointed out that government does not regulate the price to which wholesalers sell their products, but it set the BFP in consultation with the industry in order to arrive at the retail price of petrol which is regulated at the pump. They argue that it is not government's role to decide what price should a manufacturer or wholesaler sells their products to SMEs but market forces should determine. Government officials suggested that should the SMEs feel that the current practice by the major distributors is anti-competitive they should report such to the competition authority that has the resources to investigate and stop such behaviours. SMEs generally agreed with a view that lack of pricing transparency is one of the continued barriers to entry into the petroleum distribution sector. All the participants unanimously agreed that government policy has not been able to address the pricing issues in this sector.

(Source: Author 2010)

APPENDIX G: AN EVALUATION OF THE EFFECTIVENESS OF THE SOCIO-ECONOMIC POLICY FRAMEWORK

Table 21: Results of evaluating effectiveness of each category of Socio-Economic Policy framework

Socio Economic Policy Objective	Evaluation Criteria				
	Highly Effective	Effective	Neutral	Ineffective	Highly Ineffective
Macroeconomic Policies	0	7	0	54	8
Taxation Policies	0	6	0	60	3
Labour Policies	0	4	2	45	18
Business regulation Policies	0	8	5	45	11
Immigration/Emigration Policies	0	13	35	21	0
Competition Policies	0	7	0	53	9

(Source: Author 2010)

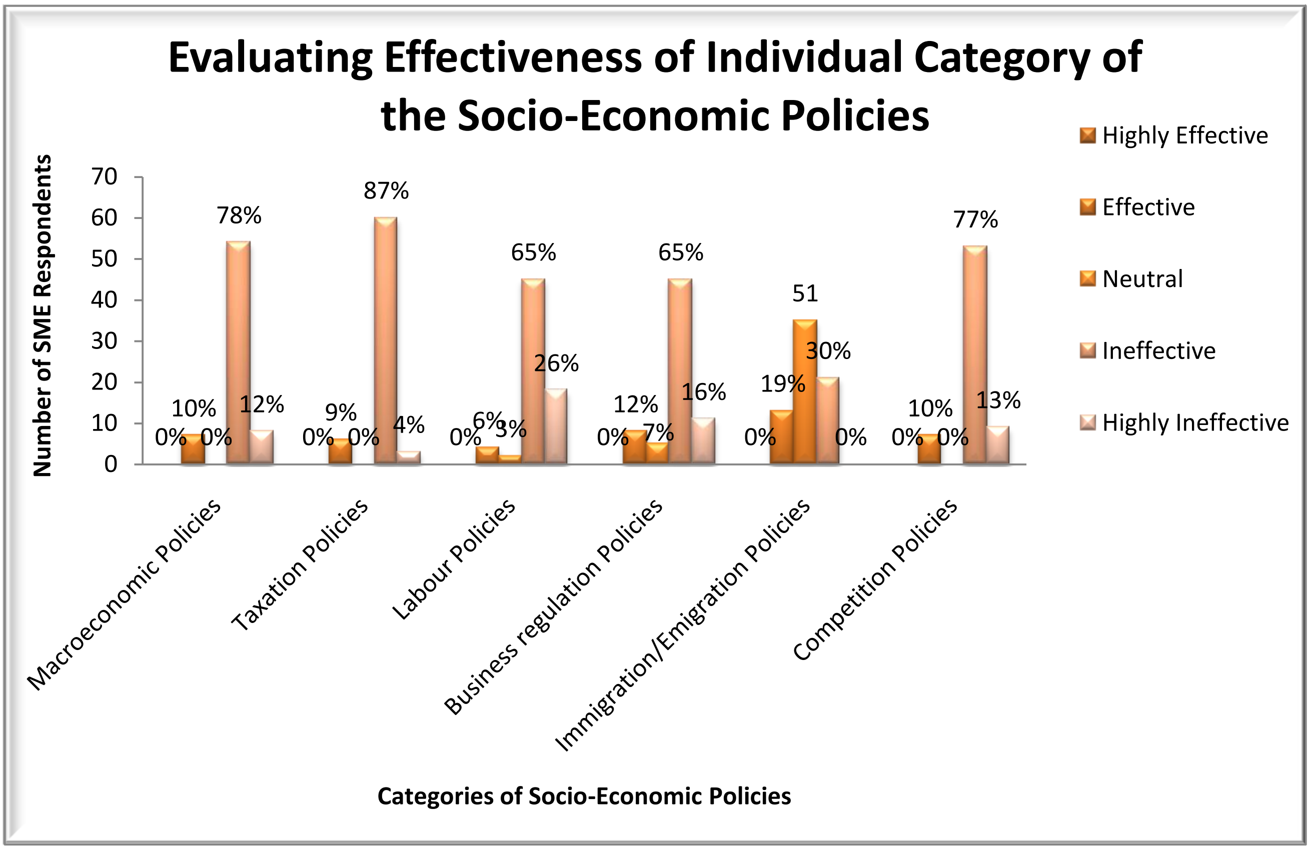

Figure 16: Outcome of the effectiveness of each category of socio-economic policy framework

(Source: Author 2010)

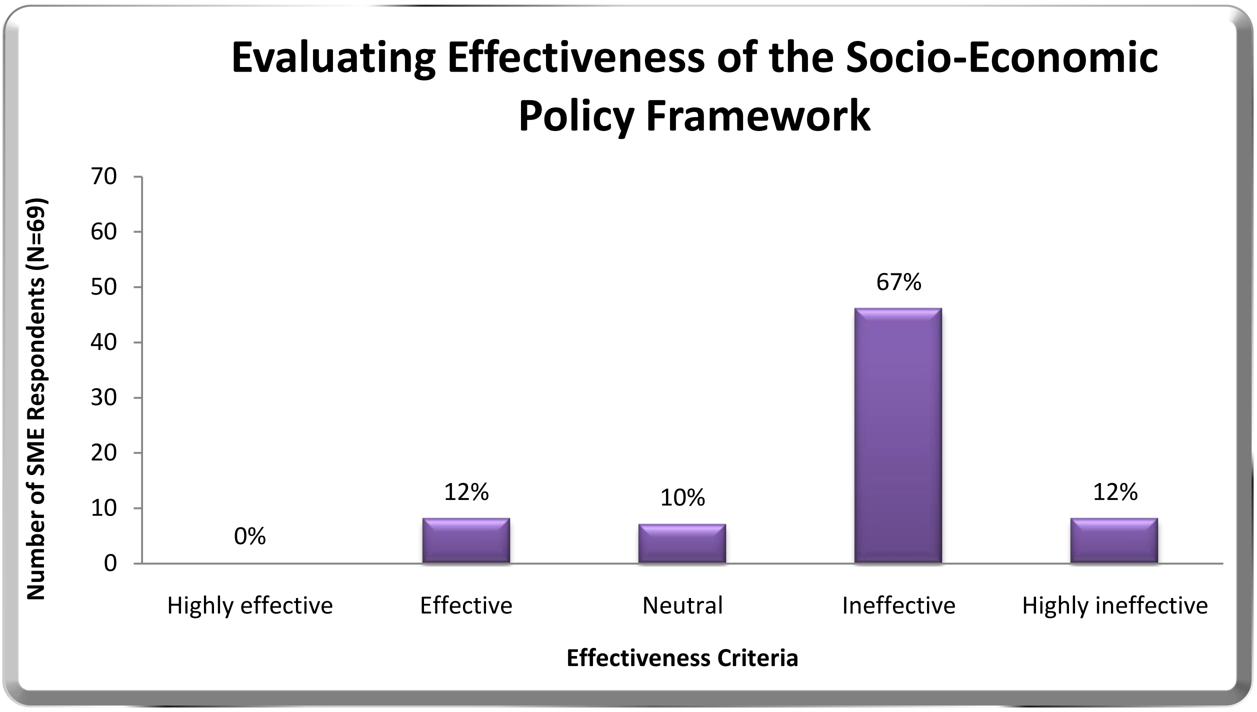

Figure 17: Aggregate outcome of evaluating effectiveness of socio-economic policy framework

(Source: Author 2010)

Table 22: Evaluating socio-economic policy framework in addressing salient attributes

Socio-Economic Policy	Analysis of the evaluation
Macroeconomic policies	About 90% of the small business participants feel that macroeconomic policy is infective in making it easy for small business in the petroleum distribution sector to do business in South Africa. In evaluating the effectiveness of macroeconomic policy, only 10% of the participating SMEs believed that the macroeconomic policy framework in South Africa is effective in making it for SMEs in the petroleum distribution sector in to do business. The SMEs who concluded that the impact of the macroeconomic policies to be negative, pointed to the high interest rates, high inflation, high unemployment and unstable exchange rate as signs that the macroeconomic environment is not stable. But those who evaluated the impact of macroeconomic policies to be low believe that it does not matter what happen to the economic factors such as interest and inflation, petroleum products have no substitute, and hence their businesses are not badly affected. SMEs acknowledged the impact of the Global Financial crisis on their businesses, but SME56 was quick to point out that SA was not badly hit by the crisis when compared to Europe and the US. SME19 stated: *"...given an unstable macro environment and the impact of the Global crisis, government needs to come up with specific measures to help SMEs to avoid a double dip".* SME32 and SME36 both agreed that the future looks bright given the economic recovery that is being experienced. This, they argued, will mean economic growth which is good for business. Despite the adverse effects of government policies, SMEs agreed that government is beginning to realise the importance of small businesses and is beginning to set up support structures for SMEs.

	The overwhelming opinion of the participants on the macroeconomic environment was that it is unstable, and adversely impacts the growth and sustainability of their businesses. However, SMEs indicated that a good macroeconomic environment is more beneficial to big business than the small business. As SME14 puts it: *"...good macroeconomic policy does not mean growth for small business, but hopefully government will get more money from taxes and can help us to develop and grow".*
Taxation Policies	Almost all the SME participants believe that taxation is a constraint to the growth and sustainability of their businesses. Because of the SMEs' greater reliance on the resources of the owner and those of the owner's family and friends as a source of capital, SME participants felt that taxation policies are not making it easy for small businesses to do business in South Africa. This view was strongly supported by almost 91% of the SME participants who evaluated the effectiveness of taxation on small businesses to be negative. It is clear from the evaluation results that only 9% of the respondents feel that taxation policy is effective in creating conducive environment for SMEs to do business in South Africa. Majority of the SMEs felt that small businesses should be charged a smaller company tax rate than larger businesses, as larger businesses had greater resources at their disposal. SME35 expressed a stronger view by stating that company tax should be done away with all together, as this would benefit government in terms of making tax collection and administration easier, and business people would be more willing to pay taxes, if only VAT was charged. This expression received support from other SMEs as well. It came out during the research that SMEs would like government to review tax legislations and come up with targeted tax legislations for SMEs. The SMEs suggested that government can use tax incentives to boost small business development in the economy. The government officials that took part in the study confirm that they have very little say when it comes to taxation policy, since it is the domain of the National treasury and SARS as an implementing agency. The South African situation and impact of taxation on small businesses is similar to the situation discussed in the literature review, and this is caused by lack of influence by the main SME department.
Competition policy	Majority of SMEs agreed that South Africa has good competition policy. But they raised concerns that these policies seem not to be protecting them against unfair competition from the major oil distributors. SME16 gave an example of the Sasol/ Engen merger that was prevented by the competition commission as an example that the competition policy is working. The feeling amongst the participants was that the policy seems to focus more on mergers and acquisitions, than on actual behaviour by the big companies. However, the SMEs have conceded that they never attempted to report cases of market abuse with the Competition Commission. What came out is that SMEs have raised their concerns about the anti-competitive behaviour of the big companies with the Department of Energy as the policy custodians of this sector. The evaluation of competition policy revealed that 90% of the SME respondents felt that it is ineffective in creating conducive environment for SMEs in the petroleum distribution sector to do business in South Africa. With such high percentage of SMEs feeling that the competition policy impact is great on their businesses, it is surprising why the SMEs have not done something to stop the alleged anti competitive behaviour of the major companies. SME participants identified the following; access to market opportunities; access to petroleum infrastructure, and access to refineries and products as areas where anti

competitive behaviour by the big petroleum distributors is prevalent. These areas are further analysed below.

Access to opportunities

Over 70% of the SMEs that participated raise access to opportunities as an area where anti competitive behaviour by major distributors is rife, and this hinders the growth of their business. However, most of the SMEs typically face a smaller customer base as they are regionally based. Raundi (2002), O'Dwyer and Ryan (2000) and Tehrani and White (2003) pointed out that a small market size is the most common problem for surviving SME, and is the single most important reason for failure.

Historically, the Petroleum industry in South Africa has been integrated from the refining to the retail sector. According to the FRA (2010) there is a proliferation of service stations in South Africa. There are 6500 retail service stations across South Africa (DOE 2010). More than 95% of these service stations are either own and/or control by one of the big six petroleum distributors, Shell, BP, Sasol, Total, Chevron and Engen.

SME01 pointed out: *"As an SME distributor the only space where I can compete is targeting the commercial customers...you cannot sell your products to retailers because they have supply agreements with the oil majors. So you are left to do business with the big businesses only. What makes the oil majors to be so powerful is that they have the infrastructure to supply the retail sector and they also compete with us for commercial business".*

SME16 agreed and pointed out that more than 80% of all petroleum products are sold via the retail network, so we all scramble for the cramps since we do not have access. However, SME01 disagreed: *"SME should stop expecting everything on a silver plate. Why can't we create our own retail network, the department allows everyone to apply for the retail license".*

In concluding GO04 pointed out that in terms of the petroleum products act, any licensed wholesaler can supply any licensed retailer with petroleum products. *"The fact that retailers sign exchange agreements with other wholesalers cannot be blamed on government, it is their choice"* argued GO04. However, the general observation during the research is that government has not done enough to address concerns over access to the market particularly the behaviour by the major distributors. SME14 concluded: *"May be government should practice what they preach by buying petroleum products only from us (SMEs) and not the oil majors".*

Access to petroleum infrastructure

All the SME participants agreed that the biggest challenge inhibiting growth for small businesses is lack of access to petroleum infrastructure, such as pipelines, rail tankers, storage and the loading facilities. SME36 was at pain to point out that the distribution license does not mean anything, since the major oil companies owns and control the infrastructure. SME17 agreed: *"...government efforts to promote the development of SMEs in the petroleum distribution industry have been frustrated by its inability to regulate access to the critical infrastructure".*

However, the officials interviewed from the Department of Energy indicated that government through NERSA does regulate third party access to uncommitted capacity in storage and loading facilities. The SMEs' concern is that government regulation does not have an impact, since they are still denied access to these infrastructures. SME02 stated:

"the problem with the current regulation is that third parties i.e. us, will only have access to uncommitted capacity...this is the problem because the big oil majors who are our competitors always claim that capacity is committed, there is nothing we can do or government can do, so this regulation is toothless".

GO1 conceded that there are challenges with enforcing the third party access to uncommitted capacity, for three reasons. First, the facilities are owned by the big petroleum distributors who benefit by keeping new players out of the market. Second, there are two regulators regulating the same facilities for different purposes. NERSA approves tariffs for uncommitted capacity whereas the Department set the storage facilities tariffs as part of the price methodology used in setting the price of fuel. Finally, there is no uncommitted capacity at the moment, making it difficult for new entrants to compete.

All the SME participants agreed that government policy framework that seeks to regulate and give SMEs access to petroleum infrastructure has not been effective. The SMEs pointed out that the development and growth of their businesses is so much dependent on having access to the infrastructure in order to compete. SME09 concluded: *"...the status quo remains despite government efforts to assist SMEs".*

Access to refineries and products

Access to refineries and petroleum products is one of the thorny issues confronting new SMEs in the petroleum distribution sector. This section presents the results of the research as it broadly answers the question, has SME policy been able to address access to refineries and petroleum products.

The paradox of the petroleum distribution industry is that petroleum products are either sourced locally or imported. Locally the products are manufactured by the six refineries owned by the big six oil companies. These refineries together with ten of the SMEs have licenses that allow them to import petroleum products. SME06 confirmed: *"We are basically at the mercy of the oil majors...our competitors, they own the refineries. We are not allowed to buy products from the refineries directly, but from the wholesalers who compete with us. We cannot even import because our licenses does not permit us,...but even if you import there is no access to loading facilities at the ports and the cost is astronomical".*

The big distributors who are part of the value chain for the multi-national oil companies decide who they can sell their products to. SME23 stated: *"If there is a shortage, the oil company will not supply because they must supply their clients first, not those who compete against them...this means as a small distributor you won't be able to meet your obligations to your customers".*

Lack of access to refineries comes with other challenges for the SMEs, such as the prices being charged for the products and the ability to exchange (swop) products as discussed in Section 2.2. SME08 summed this up: *"It is a tough business for a small guy, if government could stop the vertical integration so that refiners become independent and sell directly to licensed distributors".*

Emanating from the research findings is that government has a difficult task of balancing the private interest of investors in the form of oil majors and at the same time ensure a transformed industry by creating conducive environment for new entrants. However, this balancing act, as suggested by SME01 seems to be favouring the "big boys" than helping the "small guys". GO03 agreed: *"Government is caught between a rock and a hard*

	place...it is understandable what the SMEs are complaining about, the truth is government does not own the refineries except one owned by PetroSA which is not enough to meet the demand of SMEs. At the same time government seeks to promote and protect private investment to ensure security of supply". Once again the SMEs felt that government policy has not been able to address issues of access to refineries and products. SME09 concluded: *"I do not think that there is even a policy from government to deal with this issue...let alone the willingness*". SME participants felt that competition policy does not help as well because government grant the major distributors concession to practice this anti competitive behaviour.
Labour Policies	SME participants expressed great concern that labour policies add a regulatory burden to their businesses. The major concern about labour policies is that in South Africa it is not easy to hire and fire someone, and for small businesses whom some of their business is cyclical or depended on a contract, they cannot afford to keep an employee when there is no need. SME12 supported by others, pointed out that he supply farmers with diesel. "I am very busy during the farming season, but after that the business is quite, so I need flexibility to manage the staff because it is not worth keeping all of them when we are not busy" says SME12. Other SMEs raised the registrations of employees, monthly levies that must be paid for UIF, the employer's contribution, and the requirement to pay minimum wages as some of the reasons they prefer to work as families. Government officials from both the DoE and the DTI confirmed that labour regulations add administrative burden to new SMEs, since there is no special treatment for SMEs. The challenge, argued the officials is that labour policies is the responsibility of the Department of labour and there is no consultations when labour policies are developed or revised, hence it is difficult to influence them in favour of SMEs. Almost 91% of SME participants evaluated as ineffective labour policies in creating conducive environment for SMEs in the petroleum distribution sector to do business and be successful. SMEs expressed a feeling that due to the perception that current labour policies have negative impact on SMEs, this contribute to high unemployment in the country since many SMEs cannot afford to employ more people.
Business regulations or Licensing Policies	Business policies such as those that relates to registrations for permits and licenses are also considered an unnecessary burden which affects the rate of SME development in the country. It became very clear during the focus group interview that many SMEs are frustrated with the fact that different government departments and agencies request similar information when registering for various purposes. SME46 puts it this way..."why can't we have a one stop shop for our registrations, or may be government should start sharing information so that we do not submit the same information to different people time and again". This sentiment was supported by many participants, who also expressed frustrations at the time it takes to receive their licenses. SME23 summed it up like this, "It took more than six months to receive my distribution license, but what frustrated me is that they even lost the documents I submitted, thank God I had a proof". GO02 conceded that there are challenges when it comes to processing license applications and it end up taking longer than is required. The official from the DTI shared the same concerns as the SMEs, and indicated that there is greater need for government departments and agencies to share information and reduce the number of

	forms that must be completed by the SMEs. The SMEs response to a request to evaluate effectiveness of the business regulations policies on creating conducive environment for small businesses to do business in South Africa was that 81% felt that the policy is ineffective, 12% indicating that the policy is effective and 7% remaining neutral. Further enquiry with the 7% of the SMEs who remained neutral revealed that they feel there is nothing they can do, so they just have to comply with government's requirements.
Immigration/Emigration Policies	This was a policy discussion that received diverse views in terms of how it impacts the SME businesses and their development. Probably the reason for this is because almost all the SME participants with the exception of two were South Africans by birth. The other two participants have permanent citizenship in South Africa as well. What transpired from the research is that many of the SME participants initially felt that their businesses are not directly affected by the immigration/emigration policies. When SMEs were requested to evaluate the effectiveness of the immigration/emigration policy on making it easy to do business in South Africa, 30% indicated that the policy has been ineffective; whereas 50% remained neutral and only 19% felt that the policy has been effective in making it easy for entrepreneurs to do business in South Africa. Upon further probing, many SME indicated that lack of enforcement of these policies leads to foreigners running illegal businesses, particularly in townships and rural areas. The SME participants expressed concern that majority of the foreigners who start SMEs do not register for tax and other legislative requirements. The immigration/emigration policy discussion with the government officials confirmed the findings of the literature review, in that the main SME department and the sector specific department has very little influence or inputs into this policy. One government official expressed a view that government should have incentives to encourage foreign SME owners to register their businesses so that they also benefit from the support that government gives the SMEs. He concluded that this will ensure that they comply with the various legislations and also pay tax or VAT.

(Source: Author 2010)