

**Considering the impact of BEE
procurement policy on entrepreneurial
activities in Fezile Dabi District**

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ABSTRACT

The post-1994 South African government has introduced multiple initiatives, programmes and passed various legislations which were aimed at assisting previously disadvantaged individuals to participate in the mainstream economy. These interventions by government are aimed at advancing mass participation in the economy by all groups of the society. Because of the laws during the apartheid regime, blacks in particular found themselves excluded in business opportunities and thus prohibiting them to actively participate in the economy.

This study was therefore aimed at considering the impact made by BEE procurement policy on the BEE entrepreneurial activities in Fezile Dabi District. Fezile District is one of the four District Municipalities within the Free State province. The study aims to assess the impact of procurement policy as one of the elements towards BEE entrepreneurship activities.

The study used both literature review as well as the empirical study to come to the conclusions revealed in the last chapter. The empirical study which was conducted using the questionnaires surveys over the four local municipalities within the District revealed that small business owners agree and believe that the BEE procurement policies introduced by government are very good instruments to enable them to enter the business sector and participate actively in the economy. However the challenge acknowledged by the small businesses is that despite this good legislation the implementation at the Fezile Dabi District is not properly executed. Lack of transparency and favouritism in awarding contracts and tenders were revealed as the biggest challenges facing the District.

Practical recommendations were made to address these challenges and improving the system.

Key words: Broad-Based Black Economic Empowerment, supply chain, entrepreneurship, BBBEEE, Fezile Dabi, procurement, tendering

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GLOSSARY OF ABBREVIATIONS

BBBEE	:	Broad-Based Black Economic Empowerment
BEE	:	Black Economic Empowerment
CIPC	:	Companies and Intellectual Property Commission
DTI	:	Department of Trade and Industry
FDC	:	Free State Development Corporation
GEM	:	Global Entrepreneurship Monitor
HDI	:	Historically Disadvantaged Individuals
LED	:	Local Economic Development
PDI	:	Previously Disadvantaged Individuals
PPPFA	:	Preferential Procurement Policy Framework Act
SARS	:	South African Revenue Services
SEDA	:	Small Enterprise Development Agency
SEFA	:	Small Enterprise Finance Agency
SMME	:	Small Medium and Micro Enterprises
TEA	:	Total Entrepreneurship Activity
WEF	:	World Economic Forum

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

Small and Medium-sized enterprises have a major role to play in the country's economy in relation to creation of employment, generating income and contributing towards output growth. In this context an unique situation exists in South Africa since under the apartheid government, the majority of black people were not provided with equal opportunities to white counterparts in order to participate in the mainstream economy (Bolton, 2006:8). It was therefore imperative that government introduced the Broad-Based Black Economic Empowerment Act (No. 53 of 2003).

The BBBEE Act (Act No. 53 of 2003) which ultimately came into effect on the 9th January 2004 is aimed at redressing the economic imbalances created by of the previous government's policies and ensures mass participation of the Historically Disadvantaged Individuals (HDIs) into the mainstream economy. The imbalances created by the apartheid regime and its consequences are still prevalent in South Africa today, where you find the population bearing the brunt of unemployment and poverty (Asaf et al., 2010:6).

The BBBEE Act (No. 53 of 2003) (SA, 2003) has seven pillars which are listed in the codes of good practice which were developed by the Department of Trade and Industry (DTI) (2010) as guidelines for the implementation of the Act. These pillars are:

- Black equity ownership.
- Black management control.
- Employment equity.
- Skills development and transfer of skills to black employees.
- Preferential procurement from black owned businesses.
- Enterprise development of black enterprises; and
- Socio-economic development.

This study will focus on the implementation of the preferential procurement policy as an element of the BBBEE Act. The study to be considered is the impact of the Preferential Procurement Policy Framework Act (No. 5 of 2000) (SA, 2000) that prescribes in detail categories of persons referred to as Historically Disadvantaged Individuals (HDIs) who would qualify for preference in the allocation of contracts. Furthermore the migration from the Preferential Procurement Policy Framework Policy Act (No. 5 of 2000) to Preferential Procurement Regulations (2001) and more recent Preferential Procurement Regulation will be taken into account. The impact of these regulation and stimulating entrepreneurial activities in Fezile Dabi will be assessed.

Having gathered information from various government business development agencies it is realised that a lot of individuals who want assistance in creating businesses have little or no entrepreneurial spirit and acumen and are merely looking at securing a government tender to succeed.

The South African business sector can as all over the world be divided into two categories normally referred to as the “Big business” and “SMMEs”.The SMMEs represents mostly the previously disadvantaged individuals while the BIG business is still run and dominated by few individuals. It is still difficult even under the current government for these two economies to operate together and share opportunities. Southall (2006:175) believes that this state of affairs should be attributed to the Black Economic Empowerment (BEE) policies which are capitalist in nature and continue to benefit the wealthy and politically connected individuals only.

Moeletsi Mbeki (2011), a prominent South African academic and business leader said when interviewed by the Mail and Guardian, “Government needs to make it easier for those entering the market to create jobs,” Mbeki further slammed government’s policy of Black Economic Empowerment (BEE), saying it does nothing for the majority of South Africans. Mbeki also emphasised that if the big economic players and government want to see economic freedom they should support entrepreneurship and not the institutionalised corruption called BEE. This feeling is shared by numerous other business leaders and the business communities because

BEE policies have been seen to benefit only a selected few without contributing to employment creation and building sustainable businesses.

Professor Brian Kantor of the economics department of the University of Cape Town also argued that government needed to focus on allowing small business to flourish. It is further stated that, entrepreneurship is what makes an economy work. "It has become difficult to create a business in South Africa due to all the economic intervention by government," he said (Mbeki, 2011).

Kantor believes government should attempt to strengthen relations with business. And said: "We are not growing fast enough and we can't employ enough people going on like this. If government were a lot more respectful of business, they could be left to do what they do best—and that's to create profits and jobs" (Kantor, 2011).

Kantor and Mbeki's remarks are echoed by ordinary community members across the District of Fezile Dabi. Most complain about favouritism by government in supporting small businesses and are therefore discouraged to start own businesses. It is against these considerations that this study will be important in trying to establish a link between BEE procurement policies and low levels of entrepreneurship activities in the Fezile Dabi District.

1.2 PROBLEM STATEMENT

It is not clear whether some black business owners in Fezile Dabi have the intention to develop innovative, sustainable entrepreneurial businesses or whether it is the trend to get into business only if favouring government BBBEE policies are available.

1.3 RESEARCH OBJECTIVES

The research objectives are divided into primary objective and secondary objectives.

1.3.1 Primary objectives

The primary objective of this study is the impact of Broad Based Black Economic Empowerment (BBBEE) procurement policy on the entrepreneurial activities of BEE companies in the Fezile Dabi District.

1.3.2 Secondary Objectives

In order to achieve the primary objective the following secondary objectives were be pursued:

- Are people aware of the BEE Act?
- Do they know the benefits of the ACT?
- Are they getting into business to benefit from the ACT?
- Are they willing to get into business irrespective of the ACT being applied?
- To determine a link between BEE preferential procurement and decline in entrepreneurship.
- To establish why small black owned businesses fail to be sustainable; and
- To establish if government procurement policies discourage small black business owners to create sustainable enterprises.

1.4 RESEARCH QUESTIONS

The study addresses the following research questions:

- Why do small black owned businesses fail to be sustainable?
- Do the government procurement policies encourage black business owners to be entrepreneurs?
- Is there a link between decline in entrepreneurship and BEE procurement policies?
- Why is there a decline in innovative ideas among small black business owners?
- Are there government procurement policies that only benefit the politically connected individuals?

1.5 SIGNIFICANCE OF THE RESEARCH

The study will help to establish if a link exists between a decline in small owned businesses and BBEE entrepreneurship. This study can assist the government in determining if their BEE procurement policies are assisting in encouraging small business owners to establish sustainable business . Furthermore the study will help to determine if white owned businesses in the Fezile Dabi District feels excluded by

the procurement policies set by government and are therefore not interested in starting their own businesses.

The government can therefore use the study findings to improve their policies and seek to encourage establishment and development of small business enterprises. Also, the findings of this study will assist the business community in establishing what the causes of decline in entrepreneurship awareness are.

1.6 SCOPE OF THE STUDY

The study focused on Preferential Procurement Policy and regulations which encourage public and private sector to outsource some of their goods and services contracts to companies owned by previously disadvantaged individuals.

The study was confined to business enterprises operating in the Fezile Dabi District. The District is one of the four districts found in the Free State Province. The District is situated in the northern part of the province and is divided into four local municipalities namely; Metsimaholo, Ngwathe, Moqhaka and Mafube.

1.7 RESEARCH METHOD

This research will be divided into two main phases, namely a literature review as well as an empirical study.

1.7.1 Phase 1: Literature review

The following sources will be used to develop a comprehensive and solid literature review:

- Business and political documents.
- Legislation documents relating to BBBEE and procurement practices.
- Internet.
- Published papers, journals and thesis.
- Online academic database research.

Furthermore the study will also look at the migration from BBBEE Act (No. 53 of 2003) to Amended BBBEE Act (No. 46 of 2013).

1.7.2 Phase 2: Empirical study

The empirical study consists of drafted questionnaires as a measuring tool as well as a combination of unstructured and semi-structured interviews.

1.7.2.1 Sampling

The research was dominated by snow-ball sampling going to various groups like members of the business organisations/forums, the Local economic development officials within municipalities as well as procurement officials within municipalities to gather information. The sample will be drawn from all four local municipalities (Ngwathe, Metsimaholo, Mafube and Moqhaka) found within the District. A sample of 80 individuals was drawn for this research study.

1.7.2.2 Data collection methods

The questionnaires were handed to each of the 80 individuals and the researcher will personally brief each participant on the contents of the questionnaire to avoid any interpretation errors.

1.7.2.3 Data analyses

The Statistical Consultation Services from the North-West University was outsourced to do the analysis of the data. Descriptive statistics were calculated and classified according to demographic factors such as gender and age.

1.8 LIMITATIONS / ANTICIPATED PROBLEMS

Due to time and financial capacity the research will be limited in terms of depth and coverage. Furthermore only one District in the Free State Province was used for this research study.

1.9 LAYOUT OF THE STUDY

The research consisted of the following four chapters: The first chapter outlined the background, problem statement, objectives and the significance of the research. The second chapter reviews literature which is linked to the topic. The chapter further defined the BEE procurement policies and its objectives as well as its unintended consequences.

The business activity and participation of black business owners in Fezile Dabi were also discussed. Chapter three investigated the methodology chosen to conduct the study, and then discussed the findings of the study. The results were interpreted and presented as findings. Lastly chapter four provided a summary of the research that concluded the study and presented the recommendations.

1.10 SUMMARY

The purpose of this research study was to determine the impact generated by government introduction of Preferential Procurement regulations in order to ensure mass participation of the Previously Disadvantaged Individuals into the mainstream economy. The study will further determine whether BEE procurement policies have contributed positively to the growth of business enterprises in the Fezile Dabi District. Government authorities, private sector and policy-makers can make use of the findings of this report to shape their policies and/or address challenges raised. Lastly, through this study other students might be inspired to pursue further research on the subject of BEE Procurement policies.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

According to Lucas-Bull (2007), black businesses and black people in general have experienced many discriminatory regulations and legislative frameworks that ensured exclusion from the economic mainstream activities prior to 1994 by the pre-democracy government. These included the Natives' Land Act (No 27 of 1913). He further states that in terms of the Native Consolidation Act (No 25 of 1945), black businesses were restricted to selling essential products in urban black townships. The introduction of the apartheid regime in 1948 further intensified the restrictions of black business in trading freely. It was thus imperative that with the dawn of the post-1994 government it had to effect changes in order to address these imbalances.

The Minister of Finance, Mr. Pravin Gordon (2014) alluded while giving a speech that the economic transformation must overcome the legacy of the apartheid economy, exclusion, marginalisation, oligopolistic practices, a very small SMME sector, lack and cost of finance for black businesses as well as inadequate training and skills development. These, he further mentioned, are some of the factors that need to be addressed by the government and society in order to realise growth and inclusive economic participation by black owned SMME businesses that were initially disadvantaged by the apartheid regime.

It is important to note that the post-1994 government has indeed played a major role since 1994 in redressing the imbalances created by the previous governments by introducing and implementing various policies and economic programs aimed at reforming the economy. The study will focus on the impact of preferential procurement; however, to better understand, it is imperative to discuss entrepreneurship and BBBEE in the broader context.

2.2 LEGISLATION FRAMEWORK AND DEFINITIONS

This study will discuss in detail the legal framework which the small businesses find themselves exposed and operating within.

2.2.1 Entrepreneurship

Nieman et al. (2003) define entrepreneurship as the emergence and growth of new businesses. Furthermore, it is the process that causes changes in the economic system through innovations of the individuals who respond to opportunities. An entrepreneur, therefore, is an individual who sees opportunities in the market, gathers enough resources and then create and ensure sustainable growth of the business venture in order to meet these needs. It is therefore important that as an entrepreneur one has to always be aware of the window of opportunity in the market in order to capitalise on it.

Niewmand and Bennet (2002:58) have put together a number of important aspects for entrepreneurs and entrepreneurship to succeed:

- Identifying an opportunity: it is important that an opportunity must exist in the market.
- Innovation and creativity: there must be something new and different that you bring to the market. This will ensure that your products and services can be set apart and have an edge over your competitors.
- Getting resources: machinery, human capital as well as equipment are essential to ensure operation of the business.
- Taking risk: there will always be a risk for a person involved in the entrepreneurial process. It could be financial or personal.
- Creating and growing a venture: This could be taking over an existing enterprise and converting it into a bigger and better business or starting a new business altogether.
- Being rewarded: increase in your business value or realisation of profits serves as a reward motivation.
- Managing the business: to ensure growth and success there must be good management processes in place. This will assist with planning, organisation providing leadership as well as control.

It is, however, important to note that as the world changes, technologies are enhanced and economies change the meaning of entrepreneurship and also evolve. This is also attributed to the growing research interest into the concept (Lin, Miao & Nie, 2012:494). Evidently, Stokes and Wilson (2006:31) describe entrepreneurship as a process that involves individuals as well as the community and creates value for those involved in society.

The emergence of cooperatives in communities can be attributed to this concept of community involvement in entrepreneurial activities. Burns (2007:307) emphasised that to be a successful entrepreneur requires energy and passion in the creation and implementation of new ideas.

2.2.2 Entrepreneurial Success Factors

Nieman et al. (2003) have listed some factors that could ensure entrepreneurial success if harnessed and implemented accordingly; these include:

- Creativity;
- Risk orientation;
- Leadership;
- Good human relations;
- Positive attitude;
- Perseverance; and
- Commitment.

2.2.3 Black People

The Broad-Based Black Economic Empowerment Act (No. 53 of 2003) defines “Black People” as a generic term meaning Africans, Coloureds and Indians. The term, however, later included Chinese people as well. However, an important element to take note of in regard to these ethnic groups is that they must be natural persons and:

- Are citizens of the Republic of South Africa citizens by birth or descent; or
- Are citizens of the Republic of South Africa citizens by naturalisation:

- ❖ Occurring before the commencement date of the Constitution of Republic of South Africa of 1993; or
- ❖ after the commencement date of the Constitution of the Republic of South Africa of 1993 (SA, 1993), but who, without apartheid policy, would have qualified for naturalisation before then (Jack, 2007:46).

2.2.4 Small and Medium-sized Business

Jack (2007:71) states that, the Small and Medium-sized business sector is globally regarded as a driving force in economic growth and job creation. In this context the Department of Trade and Industry estimates that the sector employs almost half of the formally employed persons and contributes between 52% to 57% of the country's gross domestic product.

Ntsika (1997) distinguished four small and medium enterprises categories according to employment, turnover and assets. The categories are then distinguished as follows:

- **Micro-enterprises:** Annual turnover is less than the value added tax registration limit (R 150 000) and no more than five paid employees. These enterprises generally lack formal business operations regulatory documentations. The enterprises are also referred to as the survivalist group due to their income generation which is less than the poverty line. They have no minimum assets value;
- **Very small enterprises:** have fewer than 10 paid employees, have access to technology and operates formally;
- **Small enterprises:** have less than 50 paid employees. More established than the very small enterprise and have much more complex business practice. Require a more structured business operations management approach;
- **Medium enterprise:** have a maximum of 100 employees, except in mining, electricity, manufacturing and construction, where the upper limit is 200. Even though they have a more complex structure of operations these are still owner-managed enterprises.

2.2.5 Black Economic Empowerment

Black Economic Empowerment (BEE) is defined as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and that should bring about significant increases in the number of black people that manage, own, and control the economy of the country, and decreases income inequalities (DTI, 2003:12).

2.2.6 Broad-based Black Economic Empowerment

The Broad-based Black Economic Empowerment Act (No 53 of 2003) defines the BBBEE as “the economic empowerment of all black people including women, youth, workers, women with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but is not limited to –

- Increasing the number of black people that manage, own and control enterprises and productive assets;
- Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and collective enterprises;
- Human resources and skills development;
- Achieving equitable representation in all occupational categories and levels in the workforce;
- Preferential procurement; and
- Investment in enterprises that are owned or managed by black people.

Broad-based Black Economic Empowerment Act (No 53. of 2003), therefore provides the promotion of black economic empowerment, the establishment of a balanced scorecard and the publication of transformation charters.

2.3 OVERVIEW OF BBBEE

Government uses Codes of Good Practice via the balanced scorecard to measure progress made in achieving BBBEE by enterprises and all the sectors. According to Balshaw and Goldberg (2005:72-82), the Codes of Good Practice forms a structure and guides organisations to ensure that the objectives of the Broad-Based Economic Empowerment are met. The Broad-Based Economic Empowerment Codes of Good Practice was passed into law on the 09 February 2007 (Robinson, 2007). There are

three core components to the Broad-Based Black Economic Empowerment with each of these components corresponding to a specific beneficiary and the components have been subdivided into seven elements.

The DTI (2003) lists the seven elements as:

- **Skills development** - this pillar measures the extent to which employers carry out initiatives designed to develop the competencies of black employees.
- **Management control** - measures the effective control of the enterprises by black people
- **Preferential procurement** - measures the extent to which enterprises buy goods and services from suppliers with strong BBEE procurement recognition levels.
- **Enterprise development** - measures the extent to which enterprises carry out initiatives intended to assist and accelerate the development and sustainability of other enterprises.
- **Equity ownership** - measures the effective ownership of enterprise by black people.
- **Employment equity** - measures initiatives intended to achieve employment equity in the workplace under the Employment Equity Act (No 55 of 1998).
- **Socio-Economic development and the sector specific contribution** - measures the extent to which enterprises carry out initiatives that contribute towards socio-economic development or sector specific initiatives that promote access to the economy for black people.

The elements are then weighted and each carries specific points.

Table 2.1: The small enterprise balance scorecard

Element	Points
Skills development	15 points
Management control	10 points
Preferential procurement	20 points
Enterprise development	15 points
Equity ownership	25 points
Socio-economic development	5 points
Employment equity	15 points
TOTAL	100 points

Source: DTI (2007:79)

Any qualifying small enterprise must then select any four of the seven elements for the purposes of measure under the qualifying small enterprises scorecard. In cases where the enterprise did not choose preferred elements, its best four scored elements will be utilized for the measurement purposes (DTI, 2007:79).

Welcome to the New Codes of Good Practice

The Minister of Trade and Industry gazetted the new Codes of Good practice on the 11th October 2013. These new Codes will replace the existing Codes of Good Practice. The codes do not change much, the only significant change is that instead of seven elements there will now be only five elements to be measured on (DTI, 2013). The new five codes are as follows:

- **Ownership** – The target remains 25% and the weight is still 25 points.
- **Management Control** – the previous management control and employment equity have been consolidated into one element. Previously both elements contributed a combined 29 points; however, with the new consolidated element management control is only worth 19 points.
- **Skills development:** skills development points have increased from 15 points to 25. Target spent towards skills development has also increased from 3% of the payroll to 6%.

- **Enterprise and Supplier Development:** The previous preferential procurement and enterprise development has been combined into one code named Enterprise and Supplier Development. Previously the two elements were both a combined 35 points but with the new codes they will be worth 44 points.
- **Socio-economic development:** this element remains unchanged and still carries 5 points.

Table 2.2: The new small enterprise balance scorecard

Element	Points (Including bonus)
Ownership	25 points
Management Control	19 points
Skills Development	25 points
Enterprise and Supplier Development	44 points
Socio-economic Development	5 points
TOTAL	118

Source (EconoBEE:, 2013)

2.4 HISTORY AND TIMELINE ANALYSIS OF BEE

Even though the Broad-based Black Economic Empowerment strategy document was only released in 2003, it is important to acknowledge that this was not the beginning of BEE. The origins of Black Economic Empowerment can be traced to as far back as the 1990s according to the Department of Trade and Industry (2003:8-10).The Department further indicates that during that particular period various government development institutions like the Industrial Development Agency, Kula as well as Ntsika had already financed a number of empowerment deals.

Furthermore, since 1994 the government continued to introduce new legislation to ensure economic opportunities and create an enabling environment for all historically disadvantaged individuals to participate into the mainstream economy (Department of Trade and Industry, 2003).This legislation include among others:

- National Empowerment Fund Act (No 105 of 1998).
- The Competition Act (No 89 of 1998).
- The Preferential Procurement Policy Framework Act (No 5 of 2000).
- The promotion of Equality and Prevention of Unfair Discrimination Act (No 4 of 2000).
- The Extension of Security of Tenure Act (No 62 of 1997).
- The Restitution of Land Rights Act (No 22 of 1994);and
- The Mineral and Petroleum Development Act (No 28 of 2002).

Over the years various interventions were put into place by the government to ensure participation of historically disadvantaged individuals into the economy. The following are a few of the key interventions.

- The very narrow-based approach to black economic empowerment came into existence in 1994. This is after the newly formed first democratically elected government was formed (Booyesen, 2007:10).
- In 1995 the Black Business Council was established with its main purpose to guide and shape the economic policies prevailing in the country (Van der Nest, 2004:27). In the same year a new strategy to promote small businesses was tabled in parliament.
- The National Small Business Act was introduced in 1996 to provide a framework for the development of small and medium-sized businesses.
- The government published a Green Paper on public sector procurement in 1997. The second phase of BEE started in 1997 – the intent was to improve on the previous narrow edition (Janssens, Sefoko & Van Rooyen, 2006:9).
- In 1998 the Black Economic Empowerment Commission was established. The government through the Department of Trade and Industry established the National Empowerment Fund in 1998 to provide financing for previously disadvantaged businesses (DTI, 2003).
- In 2000 the Preferential Procurement Act was enacted.
- In 2001 the Regulations to guide the implementation of the Preferential Procurement Act were promulgated.

- In 2003 the BEE strategy was released and the draft codes of Good practice on the Broad-based Black Economic Empowerment were released (Jack, 2006: 9-10)
- In 2004 The Broad-based Economic Empowerment Act was promulgated and the drafting and release of phase one of the codes of good practice was done (Jack & Harris, 2006:37).
- In 2007 the Codes of Good Practice were gazetted (Jack & Harris, 2006:37)
- In 2011 the new Preferential Procurement Regulations were promulgated and the amendments were made to the Preferential Procurement Act; and.
- In 2013 the new BEE Codes of Good Practice were gazetted by the Minister of Trade and Industry, Mr. Rob Davies.

2.4.1 Policy objectives of the BEE

Black Economic Empowerment is underpinned by the following principles:

- The policy has to be broad-based and with the aim to accelerate the de-racialisation of the economy and fast-track the entry of historically marginalized communities into the mainstream economy.
- BEE should be an inclusive process that includes all enterprises operating in South Africa.
- BEE should be part of a growth strategy aimed at more equitable economy participation that will benefit all South Africans, individuals and enterprises. As such it stresses growth and development, including new enterprises and not only the redistribution of existing wealth. Progress of BEE is to be measured by the balanced scorecard that provides a framework against which to benchmark the BEE process in different enterprises and sectors; and.
- Economic empowerment of black people including women, workers, youth and people with disabilities, and people living in rural areas will be promoted through preferential procurement in order to enable meaningful participation in the economy.

The above principles of the Black Economic Empowerment further emphasises the importance of preferential procurement in ensuring mass participation of historically disadvantaged individuals in the mainstream economy. Procurement can therefore

be used as a mechanism to fast-track the participation of historically disadvantaged individuals within the economy. The study will therefore discuss procurement as well as preferential procurement legislation in detail.

2.5 PROCUREMENT

Van Weele (2005:10) defines procurement as the purchase of raw materials, supplies, other consumables items and services as well as assets such as machinery, laboratories equipment, office furniture and buildings to ensure that the business's manufacturing and marketing processes operates effectively.

Moeti et al. (2007:13) define public procurement as the purchasing of goods and services by government from the private sector. Procurement is the acquisition of goods and/or services. Procurement revolves around making buying decisions and all these decisions include factors such as delivery and handling, marginal benefit and price fluctuation.

Acquiring goods and or services via a tendering process represent a specific form of procurement. The study focuses primarily on the tendering processes and policies. It specifically seeks to determine the consequence of preferential procurement towards the BBBEE entrepreneurial activities.

In order to overcome economic imbalances created in and left as a legacy of the apartheid era governments over the past 20 years have introduced procurement systems and legislation as previously discussed to benefit historically disadvantaged individuals the sense that buying entities are "forced" to give preference to the mentioned group in case of the procurement of goods and services. The latter gives government as a big buyer of goods and services an opportunity to help correct the economic imbalances of the past.

2.5.1 Preferential Procurement (Act No 5 of 2000)

The South African government introduced the Preferential Procurement Framework Act (No 5 of 2000) and the accompanying regulations in terms of the ACT were promulgated in 2001. Under the mentioned Act an allowance is made to ensure that

government entities conducting tender processes should evaluate tender submission according to certain prescribed criteria. Moeti et al (2007:122) indicate that goods and services purchased by the public sector represent a substantial amount of public spend and, subsequently a substantial source of income for private service providers.

The Preferential Procurement Policy Framework Act (No. 5 of 2000) gives effect to section 217 of the South African Constitution (No. 108 of 1996). In section 217, government institutions are compelled to procure goods and services in a manner which is fair, equitable, transparent, competitive and cost effective. The section further allows public institutions to structure procurement policies and practices on the basis of preference for previously disadvantaged groups of persons.

Hugo et al. (2004:55) state that the Preferential Procurement Policy Framework Act (Act No 5 of 2000) was passed with the aim to encourage uniformity among diverse systems of preferences that existed amongst the different organs of state, to serve as a tool for development, to create advancement for previously disadvantaged individuals (PDI) and to force the procurement process to be more inclusive by allowing competitive advantage for the PDI owned businesses.

It was therefore imperative that government needed to put measures in place to ensure that government receive the best possible supply of goods at the most economical price while ensuring that historically disadvantaged service providers are given an opportunity to provide these services.

These measures were therefore undertaken to address the legacies of black economic dis-empowerment under the apartheid era. Previously the public procurement system only favoured the large and well established businesses and it was therefore very difficult for small emerging and newly established businesses to enter the system (Bolton, 2006:193).

2.5.2 Framework of the Preferential Procurement Policy

Watermeyer (2003:16) summarised the Preferential Procurement Policy Framework Act (No. 5 of 2000) as follows:

- Out of 100 points, 90 of those points have to be allocated to the price submitted by the service provider. This is to ensure that the government get the best possible value for goods and services purchased at the most economical and fair price;
- The other remaining 10 points are then allocated to the categories of preference referred in the Constitution.

The Act further stipulates that where the contract is below the current threshold value, which is R1 million rand, the following conditions are affected:

- 80 points out of the 100 are attributed to price tendered for; and
- The remaining 20 points can be used to evaluate the service providers' compliance with the prescribed categories of preference.

The regulations to the Act do however assist the service providers and government entities by providing guidance on how to calculate the points for price and categories of preference thus ensuring that the tender is awarded to the bidder with the highest number of points.

The contract must be awarded to the tenderer who scores the highest points unless criteria in addition to that pertaining to specific goals justify the award to another tenderer.

These specific goals may include the following:

- Contracting with person, or categories of people, historically disadvantaged by unfair discrimination on the basis of race, gender or disability. Implementing the Reconstruction and Development Programme as published in Government Gazette no 16085 dated 23 November 1994.

It is therefore requested by the Preferential Procurement Policy Framework Act (No. 5 of 2000) that any organ of the state must determine its preferential procurement policy and implement it within the framework prescribed by the above Act.

The procurement procedure for the specific entity relevant to this study is the **Fezile Dabi District Municipality**. The District Municipality comprises four Local Municipalities namely; Ngwathe, Metsimaholo, Moqhaka and Mafube. It is therefore more manageable to look at the procurement policy for the District and not individual municipalities as they also align their own policies with the District.

2.5.3 Supply chain management policy for Fezile Dabi District Municipality

The following are the objectives as indicated by Supply Chain Management policy for the Fezile Dabi District Municipality:

- To have and maintain an efficient, transparent, competitive and cost-effective supply chain operation when sourcing and procuring goods, services and works as well as sale and letting of assets that conforms to constitutional and legislative principles and maximise the benefits from its consolidated buying power in the marketplace.
- To ensure the efficient, effective and uniform disposal of assets through the procurement process.
- The Fezile Dabi District Municipality shall manage its finances and administrative resources in such a manner to meet and sustain its supply chain goals; and
- The Fezile Dabi District Municipality shall create a preferential procurement system that will encourage, promote, and achieve social-economic objectives and good governance.

An important element to draw from the above objectives with regard to this particular study is the creation of a preferential procurement system. This illustrates the commitment by the Municipality to ensure that the Historically Disadvantaged Individuals are given preference in procurement of goods and services by the Municipality in order to eradicate the historically created economic imbalances.

2.5.3.1 Compilation of list of accredited prospective providers

The policy states that, the Accounting Officer, in this case the Chief Financial Officer, shall, through the Supply Chain Management Unit keep a list of accredited prospective providers to be used to procure goods and services. The list shall then

be used effectively to promote the objectives of the Preferential Procurement Regulations. The Accounting Officer shall through the local community newspapers, website and by any other means possible, invite prospective providers to apply for evaluation and listing as an accredited prospective provider with Fezile Dabi District Municipality.

The new applications shall be accredited by the Chief Financial Officer in terms of the framework to be determined by his/her office. The list should be updated at least quarterly. Once the list has been compiled per commodity and per type of service, quotations should be invited from such a list. The invitation of quotations from the compiled list of prospective providers per commodity should be done on a rotational basis in such a manner that ongoing competition amongst providers is promoted, however ensuring value for money for the municipality.

Where no suitable providers are available from the list of prospective providers, quotations may be obtained from other possible providers. If it is not possible to obtain quotations as per section 3.4 of this policy, the reasons should be recorded and approved by the Accounting Officer or his/her delegate.

The prospective provider list should be reviewed annually and invitations for listing as a prospective provider be advertised annually. A provider can be added to the list of prospective providers anytime within the financial year through the approval of the Accounting Officer or his/her delegate.

The Chief Financial Officer must prevent the listing of any prospective provider whose name appears on the National Treasury's database as person prohibited from doing business with the public sector. When using the list of accredited prospective providers the Chief Financial Officer shall:

- Promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However, value for money must be ensured.

- Take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused.
- On a monthly basis is notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub-delegation.
- Determine requirements for proper record keeping.

2.5.3.2 Different procurement processes

(a) General

Goods and services may not deliberately be split into parts or items of a lesser value merely to avoid following the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

The procurement of goods and services through this policy is provided by way of:

- Two written price quotations for procurements of a transaction value of up to R2 000 (VAT included).
- Three written price quotations for procurements of transaction value over R 2 001 up to R 30 000 (VAT included); and.
- A competitive bidding process for:
 - Procurements above a transaction value of R 30 000 (VAT included); and.
 - The procurement of long-term contracts (contracts more than 6 months).

The Accounting Officer may, in writing, lower, but not increase, the different threshold values specified in the policy.

(b) Written quotations: up to an estimated value of R 2 000 (VAT included)

The Accounting Officer or delegate may procure goods and services to an estimated value of R 2 000 (vat included) by requesting quotations from different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy to the extent feasible, providers must be requested to submit such quotations in writing.

If it is not possible to obtain at least two quotations, the reasons must be recorded and reported quarterly to the Accounting Officer or another official designated by the Accounting Officer. The names of the potential suppliers and their quoted prices must be recorded. The order should always be placed against written confirmation from the selected supplier by way of quotation.

(c) Written price quotations above R 2 000 to R 30 000 (vat included)

The Accounting Officer / delegate shall invite and accept written price quotations for goods and services from above R2 001 (vat included) to R 30 000 (vat included) from as many suppliers as possible (refer to 3.1), that are registered on the list of accredited prospective suppliers. If it is not possible to obtain at least three written quotations, the reasons must be recorded and approved by the Accounting Officer/Chief Financial Officer. Quotations may be obtained from providers who are not listed only when no suitable providers for the required commodity or type of service are available from the list, provided that such providers meet the listing criteria in the supply chain management policy.

The CFO shall record the names of the potential providers and their quoted prizes. When using the list of accredited prospective providers the Accounting Officer must promote on-going competition amongst providers, including by inviting providers to submit quotations on a rotation basis. However, value for money shall be ensured.

The Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price

quotations is not abused. Lastly the Accounting Officer must determine the requirements for proper record keeping.

(d) Procurement of goods and services equal to or above R30 000 (vat included)

The Accounting Officer must apply the prescripts of the Preferential Procurement Policy Framework Act (No 5 of 2000) and its associated regulations for all procurement equal to and above R30 000 (vat included); however, these prescripts may be applied for procurement with a value of less than R30 000 (vat included) if and when appropriate.

That all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must be advertised for at least seven days on the website and an official notice board of the municipality.

Where quotations have been invited via the official notice boards and website of the municipality, no additional quotations need to be obtained should the number of responses be less than three.

2.5.3.3 General preconditions for consideration of written quotations or bids

A written quotation or bid may not be considered unless the provider who submitted the quotation or bid:

Has furnished that provider's:

- Full name.
- Identification number or company or other registration number; and.
- Tax reference number and Value-added tax registration number, if any:.
 - The Accounting Officer shall ensure that, irrespective of the procurement process followed, no award above R30 000 (vat included) is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order. Before making an award to a person the Accounting Officer must first check with SARS whether that person's tax matters are in order. A valid tax clearance certificate is sufficient in this regard. SARS can also be

consulted as a secondary measure, and if SARS does not respond within 7 days such person's tax matters may be presumed to be in order.

The Service provider has indicated:

- Whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months.
- If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months.
- Whether a spouse, or child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in the subparagraph above is in the service of the state, or has been in the service of the state in the previous twelve months; and.
- If the provider is an advisor or consultant contracted with the municipality.

2.5.3.4 Competitive bids by means of public advertisement for transactions with an estimated value of above R200 000.00 (Vat included)

Goods or services above a transaction value of more than R 200 000.00 (VAT included) and long-term contracts may only be procured through a competitive bidding process, subject to section 24, paragraph 1.2 of this policy.

No requirement for goods or services above an estimated transaction value of R 200 000.00 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process. The Accounting Officer shall invite competitive bids for all the procurement per case above the estimated value of R200 000.00 by means of a public advertisement.

A case is regarded as the consolidated requirement of related items (items of a common commodity group, for example, grouping items of stationery together) that

exists at a given point in time. It should cover the total quantities and estimated value (VAT included) of all the items concerned for complete service or supply.

The prescripts of the Preferential Procurement Policy Framework Act, (No 5 of 2000) and its associated Regulations should be adhered to. Bids should be advertised at least in a commonly circulated newspaper in the municipal area of jurisdiction and municipal website to ensure exposure to potential bidders. Bids may be advertised in the Government Tender Bulletin if and when determined by the Accounting Officer:

- Principle must be applied for contracts above the rand value of R 1 million and above (value-added tax included); and.
- The 80/20 principle must be applied for contracts from R30 000 and to the rand value of up to R 1 million (value-added tax included).

Preferential points will be determined by the bid specification committee in consultation with the Accounting Officer depending on the nature of procurement.

2.5.3.5 Process for competitive bidding

The process for competitive bidding has distinct stages: These are as follows:

- The compilation of bid documentation.
- The public invitation of bids.
- Site meetings or briefing sessions, if applicable.
- The handling of bids submitted in response to the public invitation.
- The evaluation of bids; and.
- The awarding of contracts.

The process of procurement in the Fezile Dabi District Municipality is clearly defined and aligned to the Preferential Procurement Act (No 5 of 2000) that seeks to encourage and ensure participation of historically disadvantaged service providers within the District.

2.6 THE ROLE OF ENTREPRENEURSHIP IN THE ECONOMY

SMMEs in South Africa have a major role to play in addressing the economic challenges faced by the country. The small business sector has an irrefutable economic and social function in the free market system. The stimulation and promotion of small business activities and competitive ability continually offer a challenge to the entrepreneur as well as the economic policy and strategy of a country (Kroon & Moolman, 1992). They contribute to a country's national product by either manufacturing goods of value or through the provision of services to both consumer and other enterprises. This encompasses the provision of products, and to a lesser extent, services to foreign clients, thereby contributing to overall export performance.

The SMMEs have the potential to create employment and upgrade human capital, they make a significant contribution to the economy and in rare instances they drive significant local and even global innovation. Economic historians have demonstrated the importance of this phenomenon in Europe's industrialisation and subsequent development of other emerging economies (Berry et al., 2002).

In South Africa, the economy has declined over the past 20 years. The year-on-year change in the value of real GDP determines the real growth rate of a country (Nieman, Hough & Nieuwenhuizen, 2009). In the 1960s South Africa's GDP averaged 6% per year. During the 1980s, the GDP decreased to 2.2%, with no growth in the 1990s. Lack of growth in the economy has led to fewer employment opportunities being available (Mutezo, 2005). This has given rise to a high unemployment rate of about 30%. In creating wealth, small businesses in South Africa contribute approximately 42% to the country's GDP (Nieman et al., 2009):

- Make a contribution to GDP
- Contribute towards Job Creation
- Stimulate economic competition.

2.7 CHALLENGES FACING ENTREPRENEURS IN SOUTH AFRICA

South Africa faces the same dilemma that confronts other developing countries. This essentially means that South Africa simply does not have a sufficient number of entrepreneurs and has few people with entrepreneurship qualities and attributes.

These shortcomings lead to low economic performance, resulting in few succeeding as entrepreneurs (Pahn, 1993:8). This view is confirmed by GEM, which indicates that South Africa has lower than average total entrepreneurship activity (TEA) rates and has significantly lower TEA rates than developing countries on average (Orford et al., 2004:10).

The spokesperson for the Sanlam / Business Partners Entrepreneur of the Year® competition, Christo Botes (2012) states that entrepreneurship is often promoted as a means to curb unemployment, yet despite the growing unemployment statistics, many obstacles continue to challenge entrepreneurs.

This point was further affirmed by the latest World Economic Forum (WEF) Global Competitiveness Report 2012 – 2013 which ranked South Africa 123 out of the 144 countries surveyed in terms of the burden of government regulation. This indicates the frustration that is faced by many small entrepreneurs when having to start their enterprises. Baumbach (1985:121) indicates that, business failure, regardless of the cause, means that the business is unable to meet its commitments, due to a lack of capital, or a lack of access to information on areas which could assist it in its operations, such as market opportunities, technologies, business links and training opportunities. This could be brought about by a number of factors which ultimately result in inefficient management resources.

2.8.1 Regulatory compliance

Many of these regulatory requirements are costly and time consuming. The fact that the organisations mandated to provide these regulatory requirements are not housed in one location further compounds the problems. Maas and Herrington, (2007) indicate that very few SMME proprietors aim to hire additional staff and that South Africa performs below average in measurements of entrepreneurial activity.

Furthermore, the regulatory environment is seriously affecting businesses due to the cost of compliance, time and complexity. Maas and Herrington (2007) further state that entrepreneurs can't always afford to hire specialist employees or consultants to provide guidance and advice on compliance issues. Some businesses need to

comply with more than 45 laws and have to submit up to 24 tax related returns. In addition the time that it takes to comply with all of these regulations can be a substantial cost to a business.

In many instances one would have to follow the following process:

- Register the business with CIPC.
- Apply for a tax and/or VAT clearance at SARS.
- Open a business account with their preferred banking institution.
- Go to any other small business support centre/ agency to seek assistance with the development of a business plan.
- Upon completion of a business plan approach a financial institution to apply for funding; and.
- Once funding has been approved and disbursed, start the operations.

The process above runs in months until an entrepreneur has been assisted and sometimes due to delays the window of opportunity is closed in the face of the entrepreneur. The Integrated Small Business Development Strategy for 2005 to 2014 indicates among its pillars that there should be an increase in the supply of financial and non-financial support or creating demand for SMME products/services and reducing regulatory constraints (DTI, 2003)

2.8.2 Access to finance

Another challenge facing the small businesses and entrepreneurs is limited access to finance (Botes, 2012). He states that, small businesses often find that they do not qualify for credit due to low collateral and too high debt to equity levels. Despite the emergence and growth in venture capital funding, access to funding remains a problem for small enterprises, in particular for empowerment groups in South Africa.

In most surveys among small enterprises, the provision of concessionary finance emerges as one of the most urgently felt needs. Yet extensive research reveals that access to financing is one of the several important factors that are critical for business survival and growth (DTI, 1996). Rogerson (2008) states that the most

recent research investigations continue to underline the significance of finance as an obstacle to SMME development, especially in the lower tiers of the economy.

In Endeavour's White Paper on the State of Entrepreneurship in South Africa they identify a number of factors which are causing a barrier to entry into the entrepreneurial arena. Some of these include the country's financial and operating environment being unsupportive of entrepreneurs in terms of regulations, policies and access to capital. The report states that in South Africa, the main source of start-up capital is still the banking sector.

The report further highlights the concern that there is a low tolerance for entrepreneurial failure in South Africa. People and more importantly financial institutions disassociate themselves from failed entrepreneurs. Banks shut them down and the press demonises them. Entrepreneurial failure is an experience that financiers in other parts of the world look for in entrepreneurs that they consider funding. This culture in South Africa of not supporting entrepreneurs who have failed needs to be confronted if we are to create an environment conducive to fostering more entrepreneurial activity.

Likewise the GEM report states that, if the economy in general has positive attitudes toward entrepreneurship, this will generate cultural support, financial resources, networking benefits and various other forms of assistance to current and potential entrepreneurs.

2.8.3 Increasing Operational Costs

Increasing costs which entrepreneurs do not have control over, such as electricity, rates and taxes and unionised labour forces, are factors entrepreneurs have to bear in mind. These rising costs provide a constraint to South African entrepreneurs as they cannot compete against illegal cheap labour practices by competitors and imported products coming from areas where costs such as energy, municipal charges and labour are much lower.

2.8.4 Lack of training and development programs

Botes (2012) states that, limited appropriate entrepreneurial training and development programs being implemented is also a constraint, and one of the key reasons why such a large percentage of new businesses fail. A lack of education and training reduces management capacity and limits the survival and growth of new businesses.

This downfall can, however, be improved with more appropriate and practical entrepreneurship training at primary, secondary and tertiary level. Creating additional incubators where entrepreneurs can be monitored and mentored during their first five years of start-up will also aid entrepreneurship.

He further states that for entrepreneurship to flourish, South Africa needs to change the way the spirit of enablement, empowerment and real support of entrepreneurs is practiced. These skills are defined by Wickham (1998:41) as enhancing entrepreneurial performance. In addition, Storey (2003) and Solomon (2004:19) suggest that small firms need training, because their owners are invariably less educated and therefore less able to be formally trained, compared to the managers in larger firms. In addition, failed firms are poorly managed, implying that management training will improve the situation.

2.8.5 Mismanagement of resources

Another problem encountered by entrepreneurs is the lack of business management skills which ultimately leads to mismanagement of resources. It is common practice in businesses that managers or owners normally reward themselves with huge amounts of money before realising the prospects of the business. This aspect is prevalent especially in young enterprises. It is the responsibility of business owners and managers to avoid using assets of the business for personal use at the expense of the business (Van Aardt, Van Aardt, Bezuidenhout & Mumba, 2008:249). They should try to keep the affairs of the business separate from their personal affairs at all costs.

2.8.6 Competition

Competition consists of other entrepreneurs that provide similar customer needs or have the potential to serve those customers. In perfectly competitive markets, buyers or customers have no power other than to accept or reject the product offered. In many instances, it is common knowledge that businesses offer similar products, which tightens the level of competition. All products are the same, so there is no shopping around for quality, service, or other characteristics. The implication of this is that businesses are forced to lower their prices and therefore profit margins decline.

2.9 FACTORS INFLUENCING SUCCESS OF ENTREPRENEURS

Entrepreneurship education has long been identified as a critical factor in preventing future high levels of long-term unemployment, and there is evidence of a strong correlation between educational level achieved and high income over a lifetime. Entrepreneurship in South Africa does not hold a strong position and, in fact, is generally approached with some degree of contempt.

One of the main problem areas in this field is the role of education and training in the generation of entrepreneurial activity (Antonites & Van Vuuren, 2005:4). Though the majority of SMME operations are not complex, it should be noted that a basic level of education is a prerequisite for the successful management of small business units (Antonites & Van Vuuren, 2005:4). This basic education level is not usually the norm amongst especially the small and medium entrepreneurs – a factor found counting against them. The GEM report of 2003 (Orford et al., 2003) provides unquestionable evidence regarding the importance of entrepreneurship education and training. Insufficient government spending on education and training means that African entrepreneurs face serious challenges.

Over the past decade, a number research contributions on education, training and skill development linked to SMME economy in South Africa as a whole has appeared (Rogerson, 2008). Garavan and O’Cinneide (1994) believe that the field lacks a generally accepted paradigm or theory regarding the content of entrepreneurship education and training. Vesper (1990) elaborates on the issue when he states that current literature on entrepreneurship education and training only touches the

surface as far as the design content is concerned. Experts in South Africa isolate education and training as South Africa's main weakness with regard to the enabling environment for entrepreneurship (Orford et al., 2003:13).

Kroon (1997:172) states that entrepreneurship education should be directed at the preparation of individuals who can be change agents for the next decade, simultaneously providing the much needed entrepreneurs required in South Africa. To influence the success of entrepreneurship is therefore important to provide adequate training to entrepreneurs. Entrepreneurship and small business training can be approached from different angles. The main areas of concentration are business skills training, technical skills training and entrepreneurial skills training.

2.9.1 Business Skills Training

Business skills training cover all the conventional management training in a business. It is formal training that covers all the aspects of management (strategy, planning, marketing, financial projects management and time management). The lack of business and management skills is a worldwide challenge of small businesses in developed as well as developing countries.

2.9.2 Technical Skills Training

The main purpose of this training is to address the ability to use knowledge or techniques of a particular discipline to attain certain ends. Training could be driven by government initiatives like SEDA and various SETAs from different business sectors. Furthermore, the Department of Higher Education and Training should capacitate the technical colleges in order to ensure provision of technical skills and training at higher education level.

2.9.3 Entrepreneurial Skills Training

These skills are defined by Wickham (1998:41) as enhancing entrepreneurial performance. Storey (2003) and Solomon (2004:19) suggest that small businesses need training, because their owners are invariably less educated and therefore less able to be formally trained, compared to the managers in larger firms.

Strodes (1998) states that SMMEs make up 95% of corporations in Asia, employ up to 80% of the labour force and account for up to 60% of the GDP, and in countries such as Vietnam, small package investment (less than US\$ 1 million) make up 20% of total foreign investment. In Taiwan the SMME contribution to GDP is 98% (Ladzani & Van Vuuren, 2002:154). It is therefore imperative that the authorities create a conducive environment for entrepreneurs to flourish and provide adequate support to ensure their prosperity.

2.10 SUMMARY

Nieman et al. (2003:12) state that, in developing countries in the sub-Saharan Africa, entrepreneurship is practiced based on factors such as age and kinship. This has inhibited entrepreneurship in African countries, including South Africa. People were denied the opportunity to develop entrepreneurial skills and build the confidence to run business. However since the dawn of democratic South Africa the government has undertaken various interventions to ensure participation of previously disadvantaged individuals into the economy.

This chapter of the study focused on outlining the theoretical framework of the study and discussed all the legislative requirements and interventions that form the basis of this research.

The next chapter will deal with the empirical research in order to determine the impact of this legislative intervention by government in creating awareness and willingness for BEE entrepreneurial activities in the Fezile Dabi District.

CHAPTER 3

RESULTS AND DISCUSSION

3.1 INTRODUCTION

The preceding chapter dealt with a comprehensive literature review to provide a broad and holistic understanding of BBBEE. The chapter also narrowed extensively on the preferential procurement as one of the elements of the Act as well as looking into the procurement processes within the Fezile Dabi District Municipality. Various sources were consulted to provide a clear understanding of the topic. These sources included:

- Previous articles, theses and journals;
- Economic literature such as financial print media;
- Internet ;
- The Fezile Dabi Supply Chain Policy;
- Government legislation relating to BBBEE, codes, policies and strategies; as well as
- Business and political documents from various analysts and commentators as well as political parties.

To ensure that the study is able to answer its primary objective; this chapter will now look at the findings of the empirical study that was conducted. The questionnaire was used as a measuring instrument.

3.2 ETHICAL ASPECT

All the participants in this study were provided assurance of confidentiality. This was done to eliminate any victimisation that could result as a result due to participation. The participants participated on a *free-to-participate* basis.

3.3 SAMPLING

The sample was drawn from small business people from the four local municipalities within the District. The convenient sampling method was used to draw participants. The convenient sampling method is the oldest and perhaps the most frequent used

sampling technique (De Vos & Strydom 2002:207). This method simply means that data is gathered from anyone who is convenient in the field of the study, and should be accessible and available to participate.

The sample size of eighty was chosen and participants provided with questionnaires, however only 53% of the sample completed their questionnaires. Various reasons were provided for lack of participation and the following were some of the reasons given:

- Lack of time;
- Language barriers;
- Participants not seeing the importance of the study; and
- Fear of victimisation by officials.

However, it is imperative to indicate that of the 42 respondents who successfully completed the questionnaires all the four local municipalities within the District were represented adequately and thus ensuring that this study is not biased to only one area within the District.

3.4 DATA COLLECTION METHODS

The questionnaires were handed to participants and others sent by e-mail. All the 80 participants were personally briefed on the contents of the questionnaire to avoid any interpretation errors.

3.5 DATA ANALYSES

The services of Statistical Consultation Services from the North-West University were outsourced to analyse the data from the questionnaires and provide results.

3.6 QUESTIONNAIRE DESIGN

The questionnaire was designed to be able to address the specific factors and issues with regard to the impact of BEE procurement policy on the entrepreneurial activities within the Fezile Dabi District. The questionnaire was then divided into six sections addressing various aspects of the research. The outlay of the questionnaire is presented below.

Table 3.1: The questionnaire sections and purpose

SECTION	PURPOSE OF THE SECTION
Section A	Demographic information: data is gathered regarding various demographics i.e. age group, race, number of employees and turnover.
Section B	Awareness about the BBBEE: this section deals with the participant's general knowledge about BBBEE.
Section C	Advantages of BBBEE: The section assesses the extent to which the respondents believe that the BBBEE have benefited and provided advantage to his/her business.
Section D	Disadvantages of BBBEE: This section determines the extent to which the respondent believes his/her business have been disadvantaged by the BBBEE.
Section E	My Business and BBBEE: This section will look at the link between the respondent's entrepreneurial activities and BBBEE.
Section F	General: This section assesses general aspects like government support and accessibility of the municipal supply chain process.

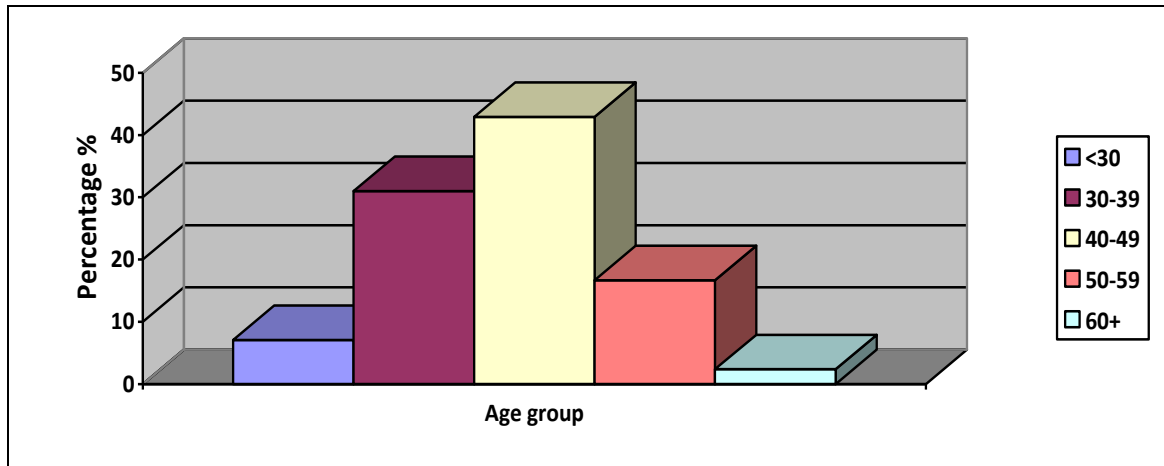
3.7 DEMOGRAPHIC INFORMATION

The results are based on the responses received from the respondents who are owners of small businesses in the Fezile Dabi District. This section includes age group, race, gender, business registration status, legal formation, turnover as well as location.

3.7.1 Age Group

A1	Please indicate your age group	<29	30-39	40-49	50-59	60+
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Figure 3.1 Age groups of the respondents



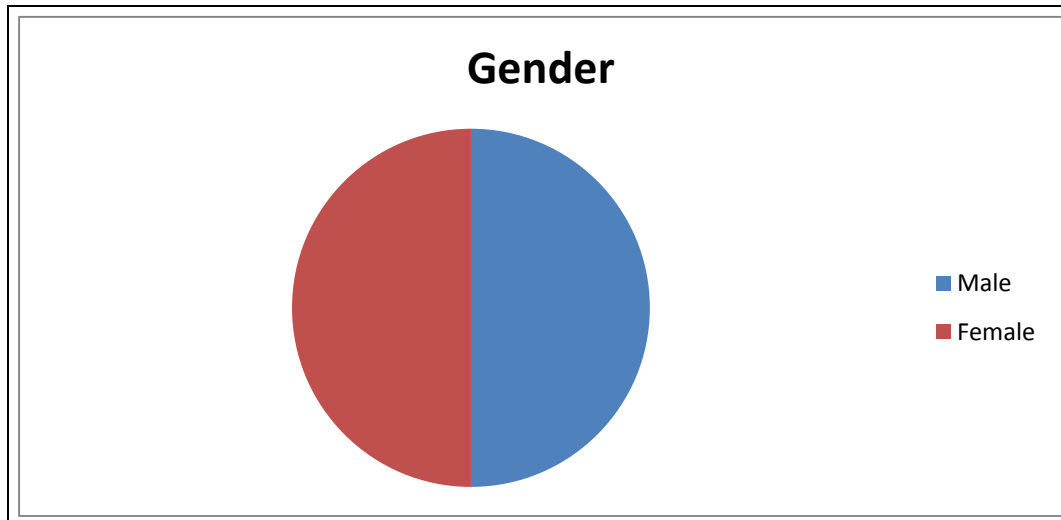
Analysis of the results

It is clearly evident from figure 3.1 that the majority of the respondents were between the ages of 40 to 49. This group represented over 40% of the respondents. Respondents under the ages of 30 years as well as those over the age of 60 years represented a smaller fraction of the study as they constituted less than 10% each.

3.7.2 Gender

A2	Please indicate your gender	Male	Female
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Figure 3.2: Gender of the respondents



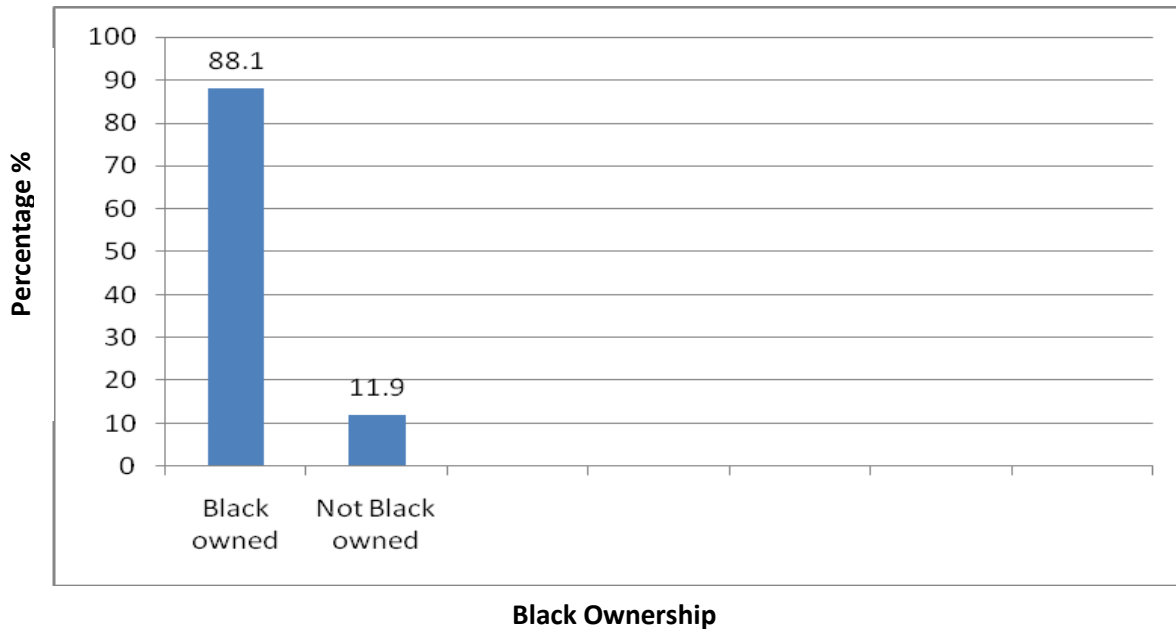
Analysis of the results

Figure 3.2 clearly stipulates that there was equal representation of both males and females on this study.

3.7.3 Black Ownership

A3	Is your business black-owned?	Yes	No
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Figure 3.3 Black ownership



Analysis of the results

The 37 respondents out of the 42 who completed the questionnaire are black-owned. This constitutes 88.1% as indicated in Figure 3.3 while only 11.9% of the respondents were not black-owned operations.

3.7.4 Business Registration

A4	Is your business registered?	Yes	No
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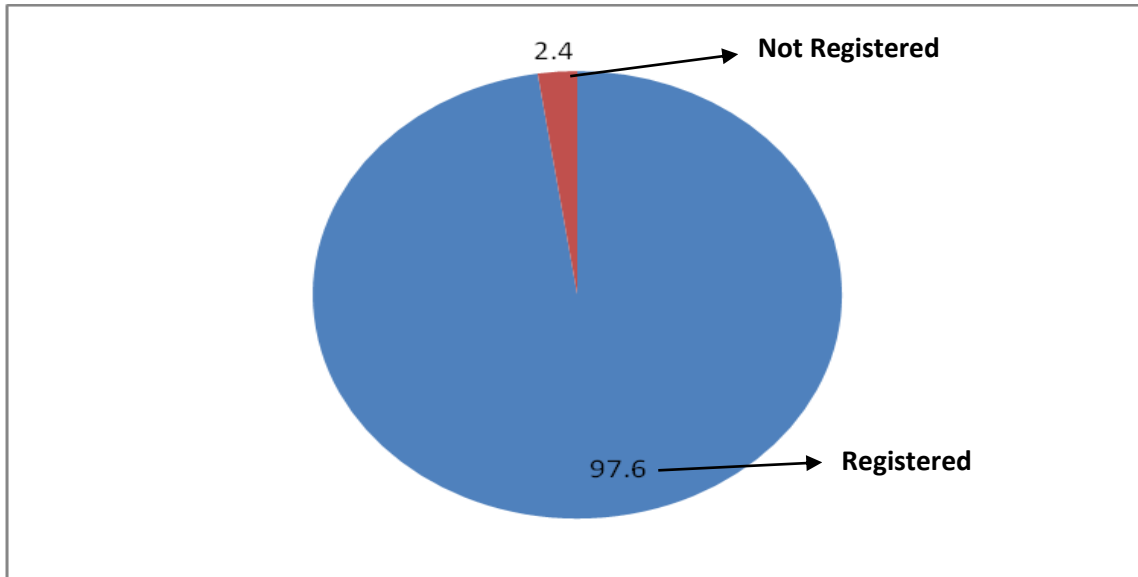


Figure 3.4 Registration Status

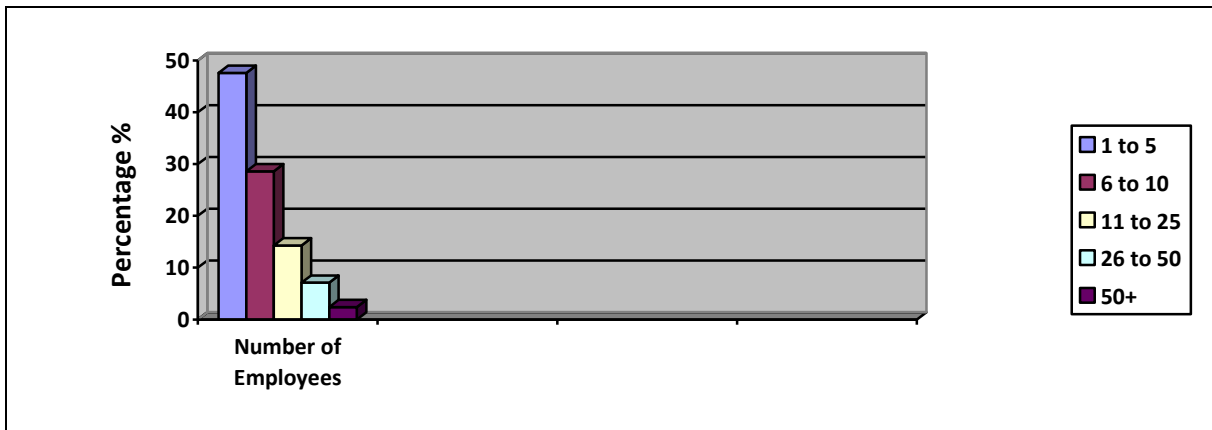
Analysis of the results

An overwhelming majority of the respondents have indicated that they have registered businesses. The study revealed that 97.6% of the respondents have actually registered their business operations while only 2.4 % were still unregistered.

3.7.5 Number of employees

A5	How many employees are employed in the business?	1-5	6-10	11-25	26-50	51+
----	--	-----	------	-------	-------	-----

Figure 3.5: Number of employees working for the respondents



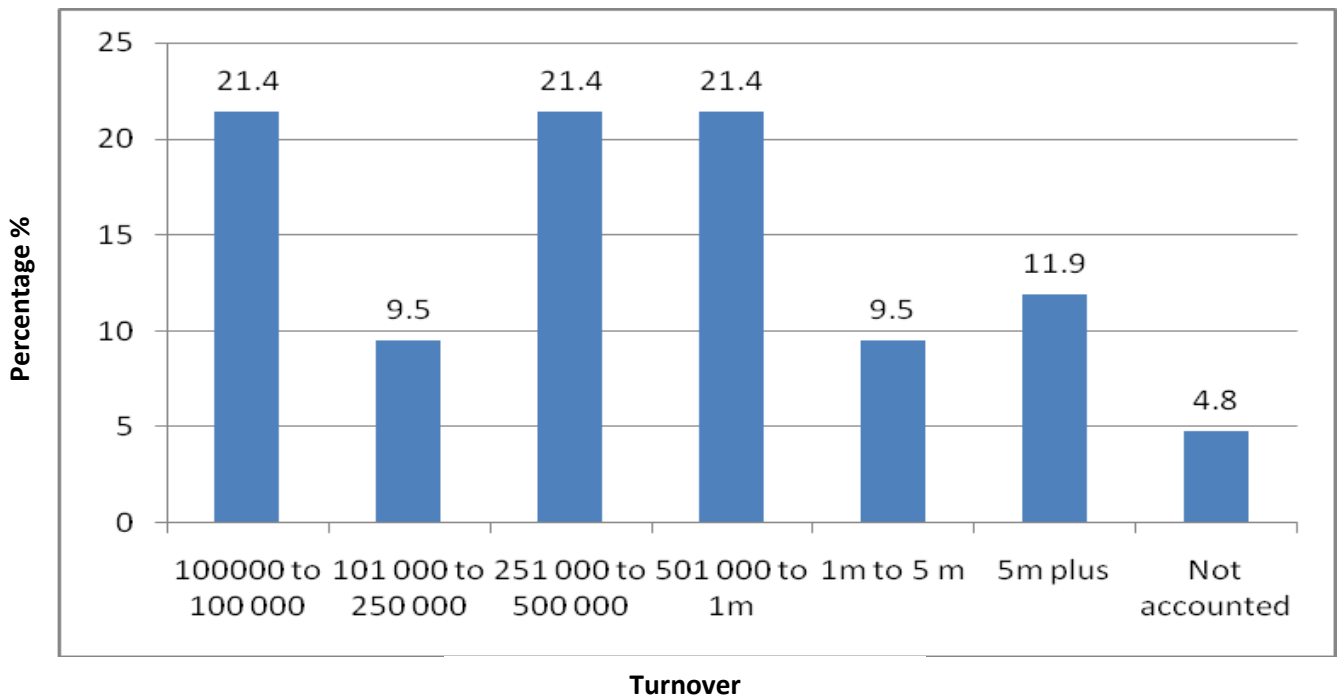
Analysis of the results

Figure 3.5 stipulates that the majority of the respondents operate businesses with employees between 1 to 5 people. This group accounts for over 40% of the total respondents while the least figure was for businesses with employees of over 50 in numbers. This is understandable when you consider that the study focused primarily on the smaller businesses.

3.7.6 Turnover

A6	What is the turnover of the business per year?					
	R10000- R100 000	R101000- R250 000	R251000- R500 000	R501000- R1m	R1m-R5m	R5m+

Figure 3.6: Turnover



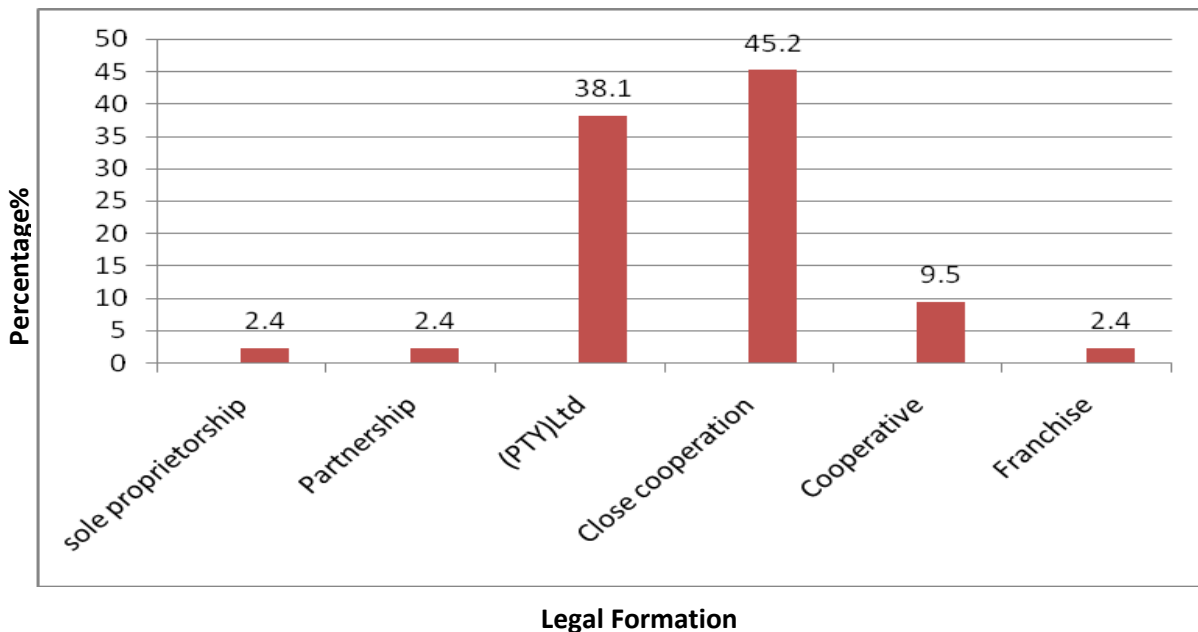
Analysis of the results

The results show that the majority of the respondents operate businesses with the turnover of not more than R1million annually. This is constituted by over 70% of the respondents with respondents turnover of between R10 000 to R100 000, R 251 000 to R500 000 as well as R 501 000 to R1 million having 31.4% each of the total respondents. It is important to note however that 4.8% of the 42 respondents did not provide their turnover.

3.7.7 Legal Formation

A7	What is your business' legal status?			
	Sole Proprietorship	Partnership	Private Company	Public Company
	Close Corporation	Co-operative	Business Trust	Franchise

Figure 3.7: Legal Formation of the business



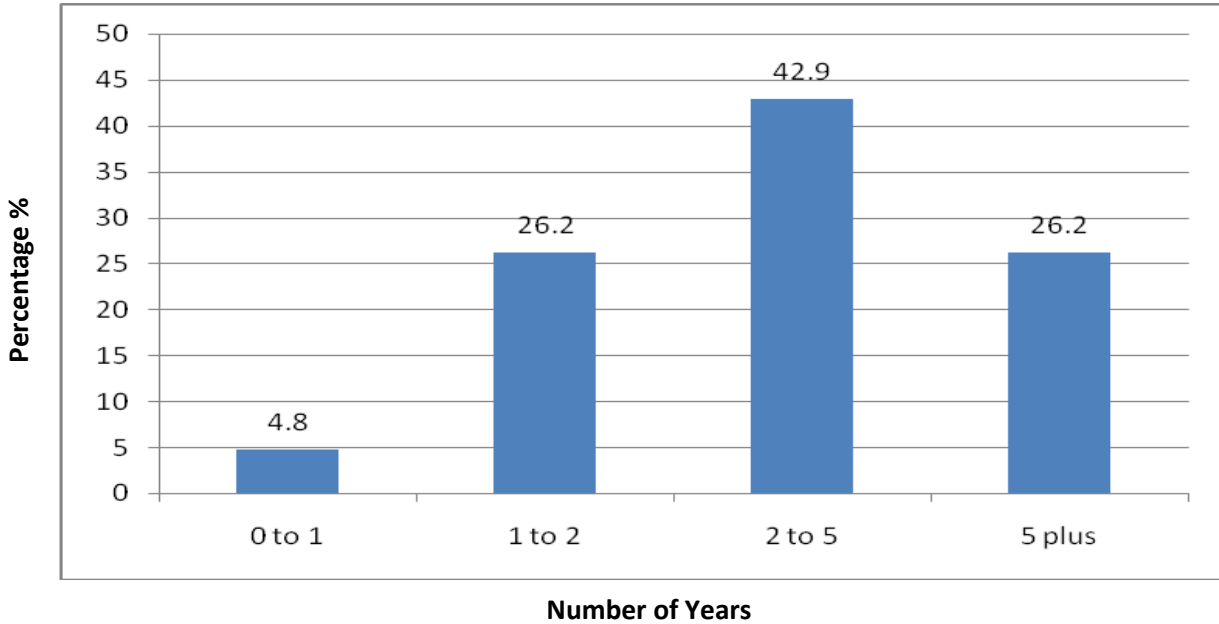
Analysis of the study

It is evident from Figure 3.7 that the majority of the businesses are registered as Close corporations as indicated by 45.2% of the respondents. Private company ownership also constituted a higher number of respondents as about 38.1% of the respondents were registered as such. The rest of the respondents are registered as partnership, cooperatives, sole proprietorship as well as the Franchising option.

3.7.8 How long have the business been in existence?

A8	How long has your business been existing			
	0-1 year	1-2 years	2-5 years	5 years +

Figure 3.8: How long has your business been in existence?



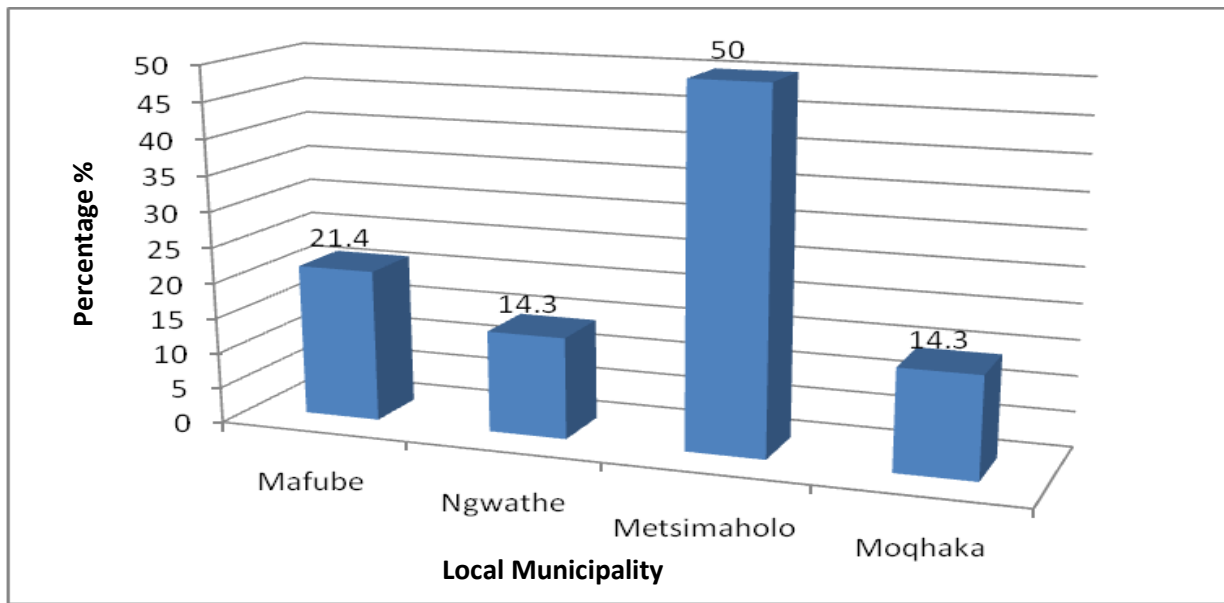
Analysis of the results

The study showed that of all the 42 respondents only 4.8% have been in existence for less than 1 year. It is also clear from the results that the majority of the respondents have been operating for at least two years but not beyond 5 years as indicated by 42.9% of the respondents.

3.7.9 Local Municipality

A9	Please indicate your local municipality			
	Ngwathe	Mafube	Metsimaholo	Moqhaka

Figure 3.9: Local Municipality



Analysis of the results

The results show that even though all local municipalities have been represented in the study, Metsimaholo local municipality had more respondents than the other three municipalities within the District. Metsimaholo constituted 50% of the entire response rate while Ngwathe and Moqhaka were the lowest at 14.3%.

3.8 AWARENESS ABOUT THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Section B deals with the respondents' awareness about Broad-Based Black Economic Empowerment. The section has eight questions which are all answered by either YES or NO. The results of this section are indicated on Table 3.2 below.

Table 3.2: Awareness about the Broad-Based Black Economic Empowerment

NO	Question	% Yes	% No
B1	I am aware of BBBEE	95.2	4.8
B2	I am familiar with all the seven elements of Codes of Good Practice.	59.5	40.5
B3	I am aware of the Preferential Procurement Policy Framework Act (No 8 of 2000)	71.4	28.6
B4	I am registered as a Service provider/vendor with the District/Local Municipality	85.7	14.3
B5	I am aware of the Municipal supply chain policy.	78.6	21.4
B6	I know about a BBBEE Certificate	92.9	7.1
B7	My company has a BBBEE Certificate	76.2	23.8
B8	I am aware that businesses with less than R5m annual turnover are exempted from complying with the codes.	69.0	31.0

Analysis of the results

The majority of the business owners/respondents who were surveyed indicated that they are aware and familiar with Broad-based Black Economic Empowerment. This majority was made up of 95.2% of the respondents while only 4.8% said they are not aware of the Act. However, only 59.5% of the respondents indicated that they are aware of the seven elements of the Codes of Good Practice. Also 71.4% indicated that they are aware of the Preferential Procurement Policy Framework Act.

Furthermore, 85.7% of the respondents are registered as Service Providers/Vendors with the District and/or Local Municipality and 78.6% says they are aware of the Municipality's supply chain policy. The results show that 92.9% know about the

BBBEE Certificate and 76.2% of those surveyed indicated that they have the certificate. Table 3.2 also shows that 69% are aware that businesses with a turnover of less than R5 million annually are exempted from complying with the codes.

3.9 THE IMPACT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ON THE RESPONDENTS

The following sections of the questionnaire deal with the impact that the Broad-based Black Economic Empowerment have had on the small businesses in the District. This impact is measured by looking at the advantages as well as the disadvantages that BBBEE have had on the business enterprises. The data was then statistically analysed and the arithmetic mean was used as a measuring yardstick to interpret the results.

The questionnaire is based on the five point (Likert-style) scale where (1=strongly disagree; 5=strongly agree). The higher numbers in this scale represent the agreement with the statement while lower numbers represent the disagreement with the particular statement.

As indicated the arithmetic mean will be used to interpret the results. Welman (2004:33) describes the arithmetic mean as a mathematical representation of the typical value of a series of numbers, computed as the sum of all the numbers in the series: arithmetic mean is commonly referred to as the mean or average. To provide an even broader interpretation the standard deviation will be used as well. The standard deviation provides an indication of how much the items in the dataset differ from the mean value.

For the interest of this particular study, the arithmetic mean value between 3.0 and 2.0 would mean a slight disagreement with the statement while anything between 2.0 and 1.0 would mean a disagreement with the statement with 1.0 indicating a strong disagreement. Also a mean between 3.0 and 4.0 would indicate an agreement with the statement with any figure between 4.0 to 5.0 indicating an agreement with the statement while 5.0 would mean a strong agreement.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5

3.9.1 Advantages of the ACT and policy

This Section will deal with the advantages of the Broad-Based Economic Empowerment to small businesses. The section will look at the extent to which the business owners feel that the BBBEE have had a positive impact towards their business operations as well as more particularly the importance and benefits of the Preferential Procurement Policy Framework Act has towards their business. The section will also look at how the Municipality procurement policies are benefitting the small businesses in the District.

Table 3.3 Advantages of the BBBEE

No	Statement	Mean	Standard Deviation
C1	I only do business with the local/district municipality	2.69	1.388
C2	BBBEE is easy to understand	3.21	1.001
C3	Preferential Procurement Policy Framework Act is fair	3.45	.968
C4	Preferential Procurement Policy Framework Act helps small businesses	3.55	.861
C5	Preferential Procurement Policy Framework Act enables black business to prosper	3.69	.715
C6	Preferential Procurement Policy Framework Act makes it easier for the business to access contracts	3.45	.832
C7	The Municipality procurement processes are fair	3.07	.921
C8	The Municipality procurement policy is transparent	2.86	.977
C9	The Municipality procurement policy makes it possible for the business to be more competitive	3.02	.924
C10	BBBEE helps businesses to be more innovative	2.88	.916

Analysis of the results

The results reveal that the respondents indeed agree that the BBBEE preferential procurement policies provide advantages to their small businesses. This is affirmed by statement C6 on Table 3.3 that indicates that the Preferential Procurement Policy Framework Act makes it easier for businesses to access the contracts. This statement had an arithmetic mean of 3.45.

Also, the respondents further slightly agree that the PPPFA is helpful to small businesses, it is fair and it enables small business to prosper. However the respondents do not believe that the BBBEE in general creates an innovative business environment as indicated in the Table 3.3 with the mean of 2.88.

What is important to note also is that the respondents slightly disagrees with the statement that the Municipality procurement processes are transparent as evident in statement C8 with a mean of 2.86. From the results it can be concluded that the respondents believe that the Preferential Procurement Policy Framework Act is a positive and good legislative document which benefit the small businesses and promotes fairness and transparency in awarding of business opportunities. However, it is also telling from the results that the respondents are not happy in so far as the transparency at the Municipality is concerned with regard to their procurement processes.

It is therefore important that the Municipality should correct this perception and create a more transparent procurement system where all businesses will feel that they have an equal chance of being awarded business opportunities and not only a few politically connected individuals.

3.9.2 Disadvantages of the Act and Policy

This part of the questionnaire dealt with the disadvantages that the respondents felt have been created by the Act.

Table 3.4: Disadvantages of the BBBEE

No	Statement	Mean	Standard Deviation
D1	BBBEE discourages a competitive atmosphere	2.62	1.035
D2	BBBEE causes job losses	2.33	1.141
D3	Preferential Procurement Policy Framework Act is discriminatory	2.31	1.158
D4	Preferential Procurement Policy Framework Act discriminates against white owned businesses	2.43	1.213
D5	Preferential Procurement Policy Framework Act is meant for black-owned businesses	2.43	1.213
D6	Preferential Procurement Policy Framework Act does not help my business in any way	2.43	1.151
D7	The Municipality Procurement policy is not fair	2.76	1.206
D8	Only a few politically connected people benefit from Municipality contracts	3.19	1.153
D9	Municipality Tender documents are difficult to fill	2.95	.946
D10	I have stopped bidding for Municipal contracts	2.48	.943

Analysis of the results

It is important to note that even though all the respondents indicated that they disagree to a certain extent with the statements indicating disadvantages of BBBEE towards their businesses. They agreed, however, that only a few politically connected people benefit from the municipality contracts as indicated by an arithmetic mean of 3.19 on Table 3.4 no D8.

This is a serious challenge that is facing the public sector as it was also highlighted during the literature review in Chapter 2. It is therefore very important that

government in all spheres do more to correct this perception. Every business person despite their political affiliation should be treated with fairness and transparency.

3.9.3 My business and the Act

The section deals with the link between the respondents and BBBEE in so far as its influence towards their entrepreneurial activities. The study in this section wanted to establish whether BBBEE had a role in influencing the respondents to establish their businesses. Also, the section deals with the fundamental issue of whether small business establishes their businesses only to rely on government tenders and contracts.

Table 3.5: Link between the business and BBBEE

No	Statement	Mean	Standard deviation
E1	BBBEE preferential procurement policy influenced me to start my business	2.60	1.106
E2	My business depends on BBBEE preferential procurement policy to survive	2.71	1.043
E3	Even without BBBEE preferential procurement policy I would have started my business	3.74	.912
E4	My business does not depend on BBBEE preferential procurement policy to succeed	3.29	1.088

Analysis of the results

Table 3.5 indicates that small business owners do not necessary believe that the BBBEE influenced their decision to start a business. This is supported by the arithmetic mean of 2.60 with regard to this statement. This is further supported by an agreement with the statement No E3 that says: **Even without BBBEE preferential procurement policy I would have started my business**. This statement has an arithmetic mean of 3.74. Furthermore statement E4 indicates an affirmation also that businesses surveyed believed that their businesses does not depend on BBBEE

preferential procurement policy to succeed as it has a mean of 3.29 thus agreeing with the statement.

3.9.4 General

The last section of the questionnaire deals with the general comments that form the basis of the general perceptions about the Municipality’s procurement policy. This section also provides the study with areas that could be improved from the Municipality side with regard to their procurement policies as well as eliminating the wrong perception that respondents might have about their handling of the procurement processes.

Table 3.6: General

No	Statement	Arithmetic mean	Standard deviation
F1	The Municipality should do more to educate the service providers/vendors about their procurement policy	4.49	.637
F2	The Municipality procurement policy is easily available and accessible.	3.05	.947
F3	The Municipality procurement policy is clear and easy to understand.	3.05	.947
F4	The Municipality procurement policy is helpful to small businesses.	3.24	.943

Analysis of the results

It is evident from Table 3.6 that the respondents agreed with all general statements on the questionnaire regarding the Municipality relationship with the business owners. Most notable was the statement indicating that **Municipality should do more to educate the service providers/vendors about their procurement policy** which then had an arithmetic mean of 4.49. All the other three questions had a mean of over 3.0 thus being in agreement with the statements that included that,

Municipality procurement policy is clear and easy to understand and that Municipality procurement policy is helpful towards small business. These statements had a mean of 3.05 and 3.24 respectively indicating a slight agreement with the statement. It is therefore important for municipality to do more in educating small businesses about their processes and create a good platform for businesses to grow and become sustainable.

3.10 SUMMARY

This chapter reported on the results that were obtained from the statistical analysis extracted from the data which was obtained through the empirical study.

The respondents indicated the underlying challenges that were highlighted extensively in Chapter 2. These challenges included among others:

- Fraud and corruption within supply chain management and procurement at government departments and Municipalities.
- Lack of transparency with regard to the procurement processes.
- Procedure not followed when awarding contracts and only benefitting the politically connected individuals; and.
- Political patronage.

These challenges continue to hamper the good programmes that government have introduced to encourage mass participation of Previously Disadvantaged Individuals into the mainstream economy. The study, however, indicated that many small businesses still regard the Municipality as their preferred source of business opportunity despite its limitations.

It is important to note that the empirical study actually shows that the respondents are happy about the impact of the BEE preferential procurement and its impact in their entrepreneurial activities. However, the challenge seems to be with the procurement process at the municipal level. Even though the policy and the Act are conducive tools to drive business and entrepreneurial growth the processes at municipal level are reversing that great endeavour.

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

4.1 INTRODUCTION

Chapter 2 of the study started by providing information on government initiatives that were directed towards the utilisation of public procurement as a tool to achieve mass participation of the Previously Disadvantaged Individuals into the mainstream economy. As indicated further in Chapter 2, government's first initiative to address the so-called inequalities of the past was introduced as an interim strategy in 1995. The 10-Point Plan was replaced in 1997 by a Green Paper on Public Sector Procurement Reform that government viewed as a milestone in the transformation of public sector procurement in South Africa.

Many interventions followed until the government introduced the Preferential Procurement Act (No 5 of 2000) as one of the pillars of the BBBEE Act. The Preferential Procurement Act provided clear guidelines in terms of the procurement policy within the public as well as the private sector.

The primary objective of this study was to determine the impact of this particular procurement policy on the entrepreneurial activities within the Fezile Dabi District. Although the literature review in Chapter 2 provided clarity in this regard, further analysis still had to be made. Therefore, in order to achieve this primary objective the following secondary objectives had to be addressed:

- ***Are people aware of the BEE Act?***

The findings of the empirical study conducted in the preceding chapter clearly indicate that the majority of the respondents are aware of the Act. This is evident from Table 3.2 in Chapter 3.

- ***To determine a link between BEE preferential procurement and decline in entrepreneurship.***

There is no link established by the study on the decline in entrepreneurial decline and BEE preferential procurement. The empirical study in fact finds that the respondents believe that the preferential procurement process is good for their business. However, the study notes that many respondents felt that BEE does not promote innovation; and.

- ***To establish if government procurement policies discourage small black business owners to create sustainable enterprises.***

The study revealed that even though it is not deliberate on the side of the government, this has become an unintended consequence of the procurement policy.

4.2 CONCLUSIONS OF THE EMPIRICAL STUDY

The conclusion from the study that the majority of the respondents do know about the BEE preferential procurement policy is positive and they also believe that it is important and beneficial to their business. It is also important to note that the study indicates that the majority of the respondents indicated in Table 3.3 in Chapter 3 that they do not only rely on government and municipalities for business opportunities.

Even though the respondents note the importance of the preferential procurement to their business, Table 3.5 in Chapter 3 also showed that the respondents believe that even without preferential procurement their businesses could still be operational. The respondents clearly indicate that their business do not depend on preferential procurement to survive. Therefore it can be concluded that BEE preferential procurement policies only enhance their entrepreneurial activities.

4.3 LIMITATIONS

Due to time constraints and limited financial capacity the research was limited in terms of depth and coverage. Only one District in the Free State Province was used for this research. The other challenge encountered was a low response rate from the sample chosen. As indicate in Chapter 3 only 53% of the sample completed their questionnaires. The study should therefore not be extrapolated to other districts or

the country as such as a result of the one district that was measured and the low response rate as well.

4.4 RECOMMENDATIONS

The study provides the following recommendations in addressing the findings.

4.4.1 Transparency in the supply chain processes

Although the study showed that respondents are happy with the BBE preferential procurement as a legislative framework, they have also indicated that they are not happy with the processes at the District municipality with regard to the supply chain and procurement systems. Therefore, even though the legislation is positive, the implementation still poses a big challenge.

It is important that the Municipality should be more transparent about their procurement policies. The lack of transparency leads to perceptions that fraud and corruption are committed. Political patronage was also highlighted by the study as one of the significant attributes towards challenges relating to procurement in government and municipalities.

4.4.2 Capacity

The Municipality and many other government agencies that are tasked with a mandate of developing small businesses should do more to educate and capacitate small businesses about the BBBEE Act. The Municipality can work with the provincial Department of Economic Affairs as well as other government agencies that are tasked with providing support to small businesses within the province to educate small businesses about the BBBEE Act.

The Municipality should form relations with institutions in the province like Free State Development Corporation (FDC), Small Enterprise Finance Agency (SEFA) and Small Enterprise Development Agency (SEDA) to assist the small businesses in the District. It is also recommended that the Local Economic Development Unit (LED) within the Municipality be capacitated as well in order for them to be in a position to assist small businesses adequately.

4.5 SUGGESTED FUTURE RESEARCH

The study suggests that this particular research be repeated to include a much broader geographical location like the whole Free State Province. Furthermore, it is suggested that the following studies be undertaken:

- *The impact of regulatory obligations on small businesses.*
- *The effect of the development financial institutions on the small businesses in the Free State province*
- *The role of local economic development in enhancing economic growth within local municipalities; and*
- *The causes of entrepreneurial decline in the Fezile Dabi District.*

4.6 SUMMARY

The study has indeed revealed that the government have provided an enabling environment for businesses to trade post 1994. Various legislations were introduced to ensure that the Previously Disadvantaged Individuals become part of the mainstream economy.

The government further ensured that in all spheres of government, nationally, provincially as well as locally, preference is given to black-owned businesses when awarding government contracts. This was done to fast-track the economic emancipation of the previously marginalised community. This practice was further extended to private sector through the BBBEE programmes. The Preferential Procurement Policy as one of the instruments of the BBBEE Act was designed to ensure that opportunities are provided to black—owned businesses.

The literature review indicated various successes and challenges faced by black businesses. These challenges persist despite the great initiatives by government to assist. The empirical study further indicated that, at the Fezile Dabi District, small businesses still feel marginalised and not accommodated. They respondents indicated that the procurement processes are not transparent enough thus creating a perception that only a few politically-connected individuals are benefiting from government contracts. But more importantly it is important to indicate that despite all

these challenges, many small black businesses still approach government for business opportunities.

It is imperative that the Municipality does more in providing awareness about its procurement processes. It is further important that businesses are encouraged to start sustainable enterprises that do not only depend on government to succeed.

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ANNEXURE A: QUESTIONNAIRE

NAME: M.P MOLUKANELO

STUDENT NUMBER: 23908696

DEGREE: MASTERS IN BUSINESS ADMINISTRATION

TITLE: Considering the impact of BEE procurement policy on BEE entrepreneurial activities in Fezile Dabi District.

STUDY LEADER: PROF INES NEL



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GENERAL INSTRUCTION

1. This questionnaire must be completed by the Owner/ Director/Member of the business.
2. Please answer all questions as objectively and honestly as possible.
3. Please answer all the questions.
4. Please indicate your choice clearly with a pen.

SECTION A: DEMOGRAPHIC INFORMATION

Mark the applicable block with a cross (X). Complete the applicable information.

A1	Please indicate your age group	<29	30-39	40-49	50-59	60+
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A2	Please indicate your gender	Male	Female			
A3	Is your business black-owned?	Yes	No			
A4	Is your business registered?	Yes	No			
A5	How many employees are employed in the business	1-5	6-10	11-25	26-50	51+

A6	What is the turnover of the business per year					
	R10000-R100 000	R101000-R250 000	R251000-R500 000	R501000-R1m	R1m-R5m	R5m+

A7	What is your business' legal status			
	Sole Proprietorship	Partnership	Private Company	Public Company
	Close Corporation	Co-operative	Business Trust	Franchise
	Other(specify):			

A8	How long has your business been existing			
	0-1 year	1-2 years	2-5 years	5 years +

A9	Please indicate your local municipality			
	Ngwathe	Mafube	Metsimaholo	Moqhaka

SECTION B: AWARENESS OF THE ACT

Indicate your answer by either YES or NO. Mark the applicable block with a cross (X)

B1	I am aware of BBBEE	Yes	No
B2	I am familiar with all the seven elements of Codes of Good Practice.	Yes	No
B3	I am aware of the Preferential Procurement Policy Framework Act	Yes	No
B4	I am registered as a Service provider/vendor with the District/Local Municipality?	Yes	No
B5	I am aware of the Municipal supply chain policy.	Yes	No
B6	I know about a BBBEE Certificate	Yes	No
B7	My company has a BBBEE certificate	Yes	No
B8	I am aware that businesses with less than R5m annual turnover are exempted from complying with the codes.	Yes	No

SECTION C: ADVANTAGES OF THE ACT AND POLICY

Indicate to what extent do you agree or disagree with the statement. Mark the applicable block with a cross (X). 1= strongly disagree; 2=disagree;3=neutral;4=agree and 5= strongly agree

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
C1	I only do business with local /district municipality	1	2	3	4	5
C2	BBBEE is easy to understand	1	2	3	4	5
C3	Preferential Procurement Policy Framework Act is fair	1	2	3	4	5
C4	Preferential Procurement Policy Framework Act helps small businesses	1	2	3	4	5
C5	Preferential Procurement Policy Framework Act enables black business to prosper	1	2	3	4	5

C6	Preferential Procurement Policy Framework Act makes it easier for the business to access contracts	1	2	3	4	5
C7	The Municipality procurement processes are fair	1	2	3	4	5
C8	The Municipality procurement policy is transparent	1	2	3	4	5
C9	The Municipality procurement policy makes it possible for the business to be more competitive	1	2	3	4	5
C10	BBBEE helps businesses to be more innovative	1	2	3	4	5

SECTION D: DISADVANTAGES OF THE ACT AND POLICY

Indicate to what extent do you agree or disagree with the statement. Mark the applicable block with a cross (X). 1= strongly disagree; 2=disagree;3=neutral;4=agree and 5= strongly agree

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D1	BBBEE discourage competitive atmosphere	1	2	3	4	5
D2	BBBEE causes job loses	1	2	3	4	5
D3	Preferential Procurement Policy Framework act is discriminatory	1	2	3	4	5
D4	Preferential Procurement Policy Framework Act discriminates against white owned businesses	1	2	3	4	5
D5	Preferential Procurement Policy Framework Act is meant for black owned businesses	1	2	3	4	5

D6	Preferential Procurement Policy Framework Act does not help my business in any way	1	2	3	4	5
D7	The Municipality Procurement policy is not fair	1	2	3	4	5
D8	Only few politically connected people benefit from Municipality contracts	1	2	3	4	5
D9	Municipality Tender documents are difficult to fill	1	2	3	4	5
D10	I have stopped bidding for municipality contracts	1	2	3	4	5

SECTION E: MY BUSINESS AND THE ACT

Indicate to what extent do you agree or disagree with the statement. Mark the applicable block with a cross (X). 1= strongly disagree; 2=disagree;3=neutral;4=agree and 5= strongly agree

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
GOVERNMENT SUPPORT						
E1	BBBEE preferential procurement policy influenced me to start my business.	1	2	3	4	5
E2	My business depends on BBBEE preferential procurement policy to survive.	1	2	3	4	5
E3	Even without BBBEE preferential procurement policy I would have started my business	1	2	3	4	5
E4	My business does not depend on BBBEE preferential procurement policy to succeed	1	2	3	4	5

SECTION F: GENERAL

Indicate to what extent do you agree or disagree with the statement. Mark the applicable block with a cross (X). 1= strongly disagree; 2=disagree;3=neutral;4=agree and 5= strongly agree

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
GOVERNMENT SUPPORT						
F1	Municipality should do more to educate the service providers/vendors about their procurement policy	1	2	3	4	5
F2	Municipality procurement policy is easily available and accessible.	1	2	3	4	5
F3	Municipality procurement policy is clear and easy to understand.	1	2	3	4	5
F4	Municipality procurement policy is helpful to small businesses.	1	2	3	4	5

THANK YOU FOR YOUR TIME

ANNEXURE B: LETTER FROM LANGUAGE EDITOR

October 20, 2014



TO WHOM IT MAY CONCERN

Re: Letter of confirmation of language editing

The dissertation **Considering the impact of BEE procurement policy on entrepreneurial activities in Fezile Dabe District** by **M.P. Molukanelo (23908696)** was language, technically and typographically edited. The sources and referencing technique applied was checked to comply with the specific Harvard technique as per North-West University prescriptions. Final corrections as suggested remain the responsibility of the student.

A handwritten signature in black ink, appearing to read 'Antoinette Bisschoff'.

Antoinette Bisschoff

Officially approved language editor of the NWU since 1998
Member of SA Translators Institute (no. 100181)