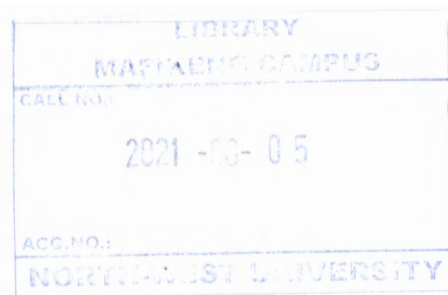


**AN EXAMINATION OF THE CAPACITY BUILDING NEEDS OF EMERGING
BUILDING CONTRACTORS IN THE AREA OF THE CITY OF MATLOSANA
MUNICIPALITY IN THE NORTH WEST PROVINCE**

P B MOIPOLAI

**A MINI DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION AT THE MAFIKENG CAMPUS, OF THE NORTH-WEST
UNIVERSITY**



SUPERVISOR : DR C M GUDUZA

NOVEMBER 2008

Acknowledgements

My deepest and sincere gratitude goes to the following beloved people.

My supervisor Dr Guduza, who guided and supported me in this project with profound patience, tolerance and resilience. I thank him for dedication and commitment as well as the substantive inputs and guidance he made to shape the outcome of this study.

Special thanks go to Dr Thiba for her meticulous work in assisting with the linguistic editing aspects of this dissertation.

The North West University Library staff has been very helpful and tolerant.

From the bottom of my heart I also wish to express gratitude to all those respondents who took their time to complete questionnaires.

Pinkie Gaboutlwelwe, for all the typing and technical work in putting all the concepts and ideas onto a well structured document.

To my two sons Phemelo and Bakang, for being a source of inspiration and strength. The thought of being your role model for life-long learning gave me the tenacity, zeal and zest to continue to the end under trying circumstances.

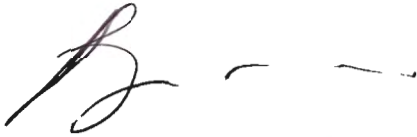
To my late mother Mmatlala, for planting in me a seed of hunger for academic excellence, and to my late father Mashwe, for planting in me a seed of tenacity and resilience. I thank you.



Finally and above all, my sincere gratitude to the **universe** for its infinite power of the creative ability and for making everything possible for the successful completion of this research project.

Declaration

I, Pule Benjamin Moipolai, hereby declare that this dissertation for the degree of Master of Business Administration (MBA) at North West University hereby submitted, has not previously been submitted by me for any degree at this or any other university. This is my own work in design and execution and all the materials contained in this research have been acknowledged.

A handwritten signature in black ink, appearing to be 'P. B. Moipolai', written above a horizontal line.

Signed : Moipolai P. B.

Abstract

The study examined the capacity building needs of emerging building contractors in the area of the City of Matlosana local municipality. The study was premised on the hypothesis that first, the lack of effective deployment of capacity building resources and systems hampers the efforts to address the capacity building needs of emerging building contractors and second, that poor organisational development, skills and technology contributes to poor service delivery by emerging building contractors. The approach was to look very critically at the failures of these contractors over the last decade, in order that the capacity building needs identified are relevant to improving their competence in complying with the conditions of construction contracts in terms of time, cost and quality specifications. A five-fold approach was used; namely (1) determining broad areas of performance indicators, (2) broadly identifying the requisite standards of performance by benchmarking capacity levels against desired international practices, (3) measuring actual performance through data collection, (4) analyzing data and finally, (5) drawing conclusion and making recommendations.

Benchmarking was done by using entrepreneurship performance standards, construction project management best practice, established building industry performance standards, and the expectations and subsequent satisfaction levels of customers and clients.

The research methodology used in the study was quantitative in nature, using a questionnaire as the data collection instrument. In addition to the questionnaire, a structured interview was also conducted to collect information particularly from key respondents that play a supportive role to emerging contractors in both the business and the private sector. The target sample was the officials in the government and state enterprise that manage building contractors, professional engineers and project managers, bank managers responsible for bridging finance, the home owners as well as the contractors

themselves. Copies of the survey questionnaire were distributed to 150 respondents and 118 were received back.

The data was collected through an approach using the self-administered questionnaires for field workers and analysed using mainly tables. The two key areas of analysis were around issues of skills development as well as the institutional capacity of emerging contractors in the broad key performance areas that were identified in the literature review. The effectiveness and extent of supportive intervention by the South African Government was also analysed as part of an assessment of the external environment.

The findings were that the hypothesis was proved to be correct. The emerging building contractors were found to lack competence and institutional capacity to be competitive and profitable in the open market. It was also found that the government had put support mechanisms in place but these were not adequately effective and there was poor coordination among organs of the state and the state-owned enterprises. Three well established social, economic and development theories were confirmed by the findings to be correct.



The conclusion was that better management and coordination of institutional support to emerging contractors would yield significantly improved results. The recommendations were very extensive and therefore clustered into five themes dealing with (1) the project failures, (2) the skills development, (3) the organisational development, (4) the external environment and the state-driven interventions and (5) the private sector involvement. Lastly, areas were identified where further research was required.

TABLE OF CONTENTS

	<u>Page</u>
CHAPTER ONE : ORIENTATION AND INTRODUCTION	1
1.1 Introduction	1
1.2 Background	1
1.3 Problem Statement	4
1.4 Research Questions	5
1.5 Specific Objectives	5
1.6 Hypothesis	5
1.7 Significance of the Study	6
1.8 Scope of the Study	7
1.9 Research Methodology	7
1.9.1 Sampling	7
1.9.2 Data Collection Methods	8
1.9.2.1 Evaluation of existing reports	8
1.9.2.2 Surveys	8
1.9.2.2.1 Structured Interviews	9
1.9.2.2.2 Questionnaires	9
1.9.3 Data Analysis Methods	9
1.10 Organisation of the Study	9
CHAPTER TWO : LITERATURE REVIEW	10
2.1 Introduction	10
2.2 Definition and theoretical framework	10
2.2.1 Definition	10
2.2.2 Theoretical framework	13
2.3 The importance of contractors in the economic growth and social development	14

2.4	Causes of common failures of emerging building contractors	16
2.4.1	Case Study 1- Letsopa Housing Project, Ottosdal, South Africa	16
2.4.2	Case Study 2 – Termination of Mafikeng Provincial Library Contract	19
2.4.3	Case Study 3 - Thea Morafe Primary School	20
2.4.4	Overall Conclusion	23
2.5	Benchmarking competence	24
2.5.1	National Construction Industry Performance Perspective	24
2.5.2	Benchmarking the Required Competencies	25
2.5.2.1	Entrepreneurship Benchmarking	25
2.5.2.2	General Management Benchmarking	29
2.5.2.3	Strategic Management Benchmarking	35
2.5.2.4	Project Management Benchmarking	37
2.5.2.5	Marketing Management Benchmarking	40
2.6	Organisational Development Benchmarking	45
2.6.1	Exploring Pre-Qualification Mechanisms	46
2.6.1.1	Contextualizing ‘Pre-qualification’	46
2.6.1.2	ISO 9000	46
2.6.1.3	SAQA System of Service Provider Accreditation	48
2.6.2	Exploring the Franchising Model	50
2.6.2.1	Franchising	51
2.6.2.2	Advantages of Franchising	51
2.6.2.3	Disadvantages	53
2.6.2.5	Legal aspects	54
2.6.2.6	Conflict management	54
2.6.2.7	Social franchises	55
2.7	Assessment of state intervention to address the needs of emerging building contractors	56
2.7.1	Government’s Development Agenda	56
2.7.2	Definition of Development	57
2.7.3	Adequacy of and Effectiveness of State Intervention in the Development of EBCs	59

2.8	Conclusion	65
CHAPTER THREE : RESEARCH DESIGN		67
3.1	Introduction	67
3.2	General methodological orientation	67
3.3	Data collection methods	68
3.4	Research parameters	68
3.5	Sampling design	69
3.6	Data collection instrument	70
3.6.1	The structure or organisation of the questionnaire	71
3.7	Procedure for data collection	72
3.7.1	The questionnaire distribution method	72
3.7.2	The face-to-face interviewer method	73
3.7.3	Results of the pilot study	73
3.8	Data analysis	76
3.9	Conclusion	76
CHAPTER FOUR : ANALYSIS AND INTERPRETATION		77
4.1	Introduction	77
4.2	Organisation and categorisation	77
4.3	Presentation of and contextualisation of results	77
4.3.1	Section 1 - Personal Details	77
4.3.2	Section 2 - Common Failures of Contractors	81
4.3.3	Section 3 - Competence/Skill Development	84
4.3.4	Section 4 - Business Organisational Development	87
4.3.5	Section 5 - Government Intervention via state-owned enterprises	91
4.3.6	Section 6 - External Business Environment	99
4.4	Conclusion	102

CHAPTER FIVE : SUMMARY, FINDINGS AND RECOMMENDATIONS 103

5.1	Introduction	103
5.2	Theoretical Foundation	103
5.3	Linkage of the findings to the research questions	105
5.3.1	Critical factors that cause the common failures of contractors to deliver on contractual obligations	105
5.3.2	Levels of competence that are expected of contractors	106
5.3.3	Support needed by emerging contractors in order to perform to the desired standards	106
5.3.3.1	Skills development support	106
5.3.3.2	Organisational development support	107
5.3.3.3	Making external environment conducive	108
5.3.4	Adequate mechanisms to pre-qualify building contractors for work commensurate with their capacity	109
5.3.4.1	The CIDB grading system	109
5.3.4.2	Accreditation and certification is a viable solution	110
5.3.4.3	Franchising is a viable solution	110
5.4	Linkage of the findings to the methodology	110
5.5	Conclusion	111
5.6	Recommendations	113
5.6.1	Dealing with the project failures	113
5.6.2	Dealing with the skills development of EBCs	114
5.6.3	Dealing with organisational development of EBCs	115
5.6.4	State-driven interventions (external environment)	116
5.6.5	Private sector involvement	119
5.6.6	Further research	119

BIBLIOGRAPHY 121

APPENDICES

1.	Annexure A - Survey questionnaire	125
-----------	--	------------

LIST OF TABLES

	<u>Page</u>
Table 2.1 : Causes of failure of emerging contractors	23
Table 2.2 : North West government infrastructure budget	70
Table 4.1 : Personal details by age and gender	83
Table 4.2 : Experience	84
Table 4.3 : Registration with Construction Industry Development Board (CIDB)	85
Table 4.4 : Registration with National Home Builders Registration Council (NHBRC)	85
Table 4.5 : Extent of failed projects	86
Table 4.6 : Nature and profile of project failures	86
Table 4.7 : Causes of failure of projects by emerging contractors	87
Table 4.8 : Competence or skills development	89
Table 4.9 : Business organisational development	92
Table 4.10 : Construction Industry Development Board (CIDB)	97
Table 4.11 : Construction Education and Training Authority (CETA)	98
Table 4.12 : Small Enterprise Development Agency (SEDA)	99
Table 4.13 : Industrial Development Corporation (IDC)	99
Table 4.14 : National Urbanisation Reconstruction and Housing Agency (NURCHA)	100
Table 4.15 : National Housing Finance Corporation (NHFC)	101
Table 4.16 : Social Housing Foundation (SHF)	101
Table 4.17 : National Home Builders Registration Council (NHBRC)	102
Table 4.18 : External business environment – opportunities	104
Table 4.19 : External business environment - payment	105

LIST OF FIGURES

	<u>Page</u>
Figure 2.1 : Schematic presentation of capacity building	13

LIST OF ACRONYMS

ABET	Adult Basic Education and Training
ABSA	Amalgamated Banks of South Africa
ANC	African National Congress
ASGISA	Accelerated Shared Growth Initiative of South Africa
BNG	Breaking New Ground housing policy
BEE	Black Economic Empowerment
BET	Basic Education and Training
CETA	Construction Education and Training Authority
CIDB	Construction Industry Development Board
DBSA	Development bank of Southern Africa
DDL&H	Department of Developmental Local Government and Housing
DPW	Department of Public Works
EBC	Emerging Building Contractors
ETQA	Education and Training Quality Assurance
FASA	Franchise Association of South Africa
FET	Further Education and Training
GEAR	Growth, Employment and Redistribution policy
GEM	Global Entrepreneurship Monitor
HET	Higher Education and Training
IDC	Industrial Development Corporation
ISO	International Standards Organisation
LGETQA	Local Government Education and Training Quality Assurance
LGSETA	Local Government Sector Education and Training Authority
MBA	Master of Business Administration
M&E	Monitoring and Evaluation
NEPAD	New Partnership for African Development
NHBRC	National Home Builders Registration Council
NHFC	National Housing Finance Corporation
NLRD	National Learners Record Database
NURCHA	National Urbanisation Reconstruction and Housing Agency
NW DPW	North West Department of Public Works



OBET	Outcomes Based Education and Training
PMBOK	Project Management Body of Knowledge
PMI	Project Management Institute
PMS	Performance Management Systems
PPFA	Preferential Procurement Policy Framework Act
QMS	Quality Management Systems
RDP	Reconstruction and Development Programme
SADC	Southern African Development Community
SAQA	South African Qualifications Authority
SCM	Supply Chain Management
SEDA	Small Enterprise Development Corporation
SETA	Sector Education and Training Authority
SHF	Social Housing Foundation
SMART	Specific, measurable, achievable, realistic and time bound
UNDP	United Nations Development Programme

CHAPTER ONE : ORIENTATION AND INTRODUCTION

1.1 Introduction

The aim of this study was to examine the capacity building needs of emerging building contractors on two fronts, namely, the institutional capacity or organisational development needs on the one hand and the individual intellectual capacity or education, training and development on the other.

In order to put the study into proper perspective the background gives an account of the socio-political and socio-economic historical environments as well as the situational analysis. This chapter also looked at the policy, legislative and institutional framework in this sector. The background is followed by the statement of the problem, and then by the specific objectives and then the significance of the study. The research methodology then outlines how the actual data was collected and analysed, including details of the statistical methods used. The following section of the proposal deals with the scope of the study and finally the last section outlines how the study is organised. This last section of the chapter is intended to give a snapshot of the key elements of the study.

1.2 Background

Since 1994 the construction industry in South Africa has undergone a slow transformation to include all sections of the society that were previously excluded. This is guided by the government transformation agenda at the centre of which is the empowerment of the historically disadvantaged groups, especially black African people and women in particular. The government has committed itself through a variety of strategies and programmes to deal with the slow pace of transformation in a meaningful way in order to give impetus to building the capacity of emerging building contractors. An enabling environment has been created through preferential procurement policy, legislation and the allocation of financial and non-financial resources. These resources include the creation of institutional framework in the public as well

as the private sector to implement national programmes in the quest to realise strategic objectives.

Opportunities also exist for self employment for new entrants into the market especially the women and youth. There is a huge demand for the supply of housing in general and low income housing offers very good opportunities because of the size of projects, supply of government capital subsidy funding and the modular nature of individual units. The size, modular nature and low level of specification of housing units offer good prospects for new entrants who may not have the sophistication to supply commercial and public buildings. Unemployed youths are a likely target group for development for this purpose, provided that they are given the necessary capacity and support. The unemployment rate of the youth population in the North West is reported to be 47% according to the African National Congress (ANC) Youth League document entitled "Policy Framework for Youth Development" (<http://www.anc.org.za/youth/docs/framework>: p 7).

According to the national Department of Housing, the past few years have seen a decline in the actual number of houses produced annually. This is despite the increase in the total allocation of the funding through the South African Housing Subsidy Grant amounting to R2.998bn, R3.226bn, R3.801bn and R5.245bn respectively during the financial years 2000/01, 2001/02, 2002/03 and 2003/04 (Breaking New Ground (BNG) Housing Plan, 2004 :5). This declining delivery in housing is linked to the withdrawal of large construction companies from the state-assisted low-income housing sector due to low profit margins. The withdrawal by these companies has left capacity gaps in the key performance areas of construction, project management, financial management and subsidy administration. These gaps have not been filled through the introduction of emerging contractors due to insufficient delivery capacity, limited technical and administrative expertise, and inadequate access to bridging finance (BNG Housing Plan, 2004:5)

In terms of the White Paper on Construction Industry Development (1999),
'one of the key national objectives is the building of capacity of

emerging building contractors through support programmes that are intended to kick-start entrepreneurial sustenance. Central to the objective is to give capacity to emerging building contractors to be able to successfully bid for projects and deliver on contractual obligations. In the process of successful contracting, the contractor should be profitable and sustainable' (<http://www.cidb.gov.za>).

To realize this objective, in 2004, the Department of Labour approved 63 skills development projects for supporting emerging contractors valued at R23m for implementation in 21 municipal areas in the North West Province (Department of Labour, 2004). The National Home Builders Registration Council (NHBC) also set aside R10m nationally for the training of emerging contractors, of which the North West Province is expected to benefit to the tune of about 10% percent. Furthermore, in terms of Section 3(h) of the Housing Consumer Protection Measures Act (Act No. 95 of 1998), the NHBC shall, in addition to its main purpose of protecting the housing consumers against defects and poor workmanship, “... assist home builders, through training and inspection, to achieve and maintain satisfactory technical standards of home building”. Additional funding is also available from other sources such as the Construction Education and Training Authority (CETA) and the Development Bank of Southern Africa (DBSA). The challenge is to utilize these funds effectively and efficiently.

What is critical in capacity building is to have targeted intervention to yield the desired impact and this requires comprehensive understanding and analysis of the needs of emerging contractors. Once these needs are well understood, it is hoped that assistance programmes and business solutions will be packaged accordingly to optimize the utilisation of scarce resources. The central constraint to the government transformation agenda in the construction industry is however, the absence of an adequate body of knowledgeable and skilled contractors and other related practitioners with the right attributes to take ownership and management of business in a meaningful way. This constraint can be regarded as the effect and therefore the cause is largely attributed to the historical legacy of apartheid inequalities. In 1996, the Minister of Public Works, Jeff Radebe said that the

Reconstruction and Development Programme, 1993 (RDP) was designed to overcome the legacy of apartheid, which left South Africa with an economy which was distorted by gross inequalities, inefficiencies and underdeveloped resources and markets. The economic and political effects also meant that the vast majority of South Africans were deprived of the opportunities to participate equally in the development of the country (<http://www.anc.org.za>)

The focus of attention in this study relates to the building construction sector with respect to the specific interventions by the government to empower emerging building contractors to participate meaningfully in the growth of the economy. Contractor competence is therefore of paramount and strategic importance if the contribution and performance of emerging contractors is to be brought in line with the strategic objectives of government. The participation of emerging contractors especially for the previously disadvantaged, is not commensurate with their demographic proportion. In order to remedy the situation, it is critical that the government as part of a developmental state, urgently implement programmes that deliberately identify prospective contractors for recruitment and development .

1.3 Problem Statement

Many emerging building contractors are unable to meet the contractual obligations of completing projects on time, within the budget constraints and to the requisite standards of quality. Lack of organisational readiness and capacity as well as lack of competence on the part of most practitioners seems to be the two areas that need to be addressed. The failure of many builders to contract successfully tends to undermine the efforts by government to empower emerging building contractors through preferential procurement policy. The effort to use a significant number of contractors from local communities is also undermined. In many instances municipalities are obliged to comply with the requirements of the Preferential Procurement Framework Act (Act 5 of 2000) (PPPFA), Black Economic Empowerment (BEE) and the empowerment of women (gender equity) in the industry, but

this is compromised by the poor supply of a stable and competent body of emerging building contractors.

In dealing with the problem, the critical question to ask is how best can the government in partnership with the private sector, optimise the utilisation of scarce resources in support programmes aimed at socio-economic empowerment of the emerging building contractors. The solution lies in answering the research questions detailed below.

1.4 Research Questions

- What are the critical factors that cause the common failure of contractors to deliver on contractual obligations?
- What are the levels of competence that are expected of contractors?
- What support, if any, do emerging contractors need in order to perform to the desired standards?
- Are there adequate mechanisms to pre-qualify building contractors for work commensurate with their capacity?

1.5 Specific Objectives



- To examine key and common failures of emerging building contractors
- To benchmark industry competence and organisational development of emerging building contractors
- To determine the training needs of emerging building contractors
- To explore and/or examine pre-qualification mechanisms

1.6 Hypothesis

- The lack of effective deployment of capacity building resources and systems hampers the efforts to address the capacity building needs of emerging building contractors

- Poor organisational development, skills and technology contributes to poor service delivery by emerging building contractors;

1.7 Significance of the Study

The study is relevant in many respects in that first, it provides a good platform to inform decisions by government and state-owned enterprises relating to the deployment of capacity building resources. Organisational and training resources are scarce and the industry cannot afford to waste these on initiatives that are not properly packaged nor targeted. To be effective, all resources deployed must be informed by the needs of the consumers, who are in this instance the emerging contractors. Second, there are opportunities to build more than six thousand government subsidised houses in the next three years in the whole of North West Province (Division of Revenue Act – Act No. 1 of 2005). This presents a good opportunity as a platform for training programmes targeted at emerging contractors within these projects, a significant portion of which will be allocated to local community builders.

Third, the study could be used as a policy implementation or management information resource that can assist in directing spending towards scientifically determined areas of need. For example, the implementation of the National Skills Development Strategy enables funding for workplace skills development projects through various Sector Education and Training Authorities (SETAs), of which CETA is specifically responsible. Eight hundred million rand is available nationally and a significant portion will be directed towards this geographical area as a result of its fast growing economic status (Division of Revenue Act – Act No. 1 of 2005).

Fourth, the information could also be used for effectively packaging small, medium and micro enterprise (SMME) business support and training projects that are funded by the government directly or through state-owned enterprises as well as the private sector. In addition, other institutions like the NHBRC, the Departments of Labour, Public Works, Local Government and Housing, and the private sector are all obliged by policy and legislation to advance BEE

through preferential procurement policies. As these institutions are active within the building construction environment, it is important that there is a commensurate supply of an adequate number of quality building contractors to drive the economic growth in the industry. This study could therefore never have been more relevant and timely as a management information resource.

1.8 Scope of the study

The study focused on the area of jurisdiction of the City of Matlosana (formally Klerksdorp Local Municipality). This area covers four towns namely Klerksdorp, Orkney, Stilfontein and Haartbeesfontein.

1.9 Research Methodology

The study used mainly quantitative statistical methods of research in respect of the research design, collection of data, analysis of the data and finally to reach conclusion. To test the dynamics relating to the emerging contractor business environment, the researcher implemented a pilot survey. During the pilot data collection survey, several problems were encountered relating to the logistics. First, the emerging contractors were poorly organized it was difficult to communicate effectively with them as no database containing their contact details could be found. Second, no organized meeting or a central business point could be found where it would be easy to make contact with a fair number of prospective respondents. Third, many prospective respondents were very busy with their daily business and were either not available or not keen for interviews. Last, it was found that many prospective respondents with whom contact was eventually made had no prior experience of any similarly detailed survey and were somehow uncomfortable to participate.

1.9.1 Sampling

This research was done on a small-scale and the sample size was limited to 118 respondents out of an estimated population size of 650 contractors. To enhance the validity and credibility of the study for application beyond the

confines of the study sample, random sampling was used to select contractors to be studied. This enabled the use of the results of the sample to the entire population of building contractors in the area with fair accuracy. Random sampling also allowed results to be used beyond the said geographical area with some qualification. The proportion of the sample size to that of the population was such that it did not adversely compromise statistical methods of analysis nor invalidate the results thereof.

1.9.2 Data Collection Methods

Three data collection techniques were used namely

- Evaluation of existing reports and
- Surveys.
- Interviews (for primary data collection)

1.9.2.1 Evaluation of existing reports



The evaluation mainly focused on project-specific reports regarding the performance of contractors in the area under study and beyond. These reports were available from municipalities, financiers and regulatory authorities such as the NHBRC. The NHBRC was a particularly reliable source because in terms of the Housing Consumer Protection Measures Act every house that is built in South Africa must be enrolled with them for quality control purposes. In addition, every building contractor must also be registered with the NHBRC for monitoring purposes and inspection reports are kept meticulously.

1.9.2.2 Surveys

Surveys were done in two different ways, in the form of structured interviews and questionnaires

1.9.2.2.1 Structured Interviews

A set of standard questions was formulated and respondents were engaged to give inputs.

1.9.2.2.2 Questionnaires

A survey was used to reach the respondents according to the chosen sample. A questionnaire was designed and applied initially to a test sample to check its suitability and where necessary, the questionnaire was modified accordingly. The testing of the questionnaire assisted in a decision whether to use either of these two approaches namely:

- Distributing of the questionnaire that enabled respondents to fill them on their own and collecting them later; and
- Field workers visiting and interviewing respondents and completing the questionnaire themselves on behalf of the latter.

1.9.3 Data Analysis Methods

The following data analysis techniques were used:

- Tables
- Graphs
- Pie charts

1.10 Organisation of the Study

The study is composed of various sections and is presented in five chapters:

Chapter 1	:	Orientation and Introduction
Chapter 2	:	Literature Review
Chapter 3	:	Research Design
Chapter 4	:	Analysis and Interpretation
Chapter 5	:	Summary, Findings and Recommendations

CHAPTER TWO : LITERATURE REVIEW

2.1 Introduction

This chapter reflects the definition of capacity building from various perspectives which are then consolidated into one that is considered more universal. It is followed by reference to and location of the study within an applicable theoretical framework, as well as an assessment of the importance of building contractors in the economic growth and social development. The chapter further presents causes of common failure experienced by emerging building contractors. Benchmarking is then examined by looking at international standards of skills required as part of competence, as well as organisational development best practices that are necessary for the success of any business. This is followed by an examination of existing or exploration possible pre-qualification mechanisms for entry into the industry at various levels. The chapter goes further to deal with an assessment of state intervention in the broader development of the construction industry and how this benefits the emerging building contractors. Furthermore, the franchise model as a possible vehicle to accelerate capacity building of emerging building contractors is also examined. At the end, conclusion is drawn, which gives guidance to the content of the survey questionnaire.

2.2 Definitions and Theoretical Framework

2.2.1 Definition

There is a myriad of definitions of the term capacity building. Some authors define it in terms of what it is or should include. Other authors emphasise the activities that it displays in implementation. However, there seems to be concurrence in what it has to achieve (<http://www.google.com>). Meaningful capacity building, however, has to “encompass the country’s human, scientific, technological, organisational, institutional and resource capabilities”

<http://www.gdrc.org,uem/capacity-define.html>. According to McNamara as cited in http://www.magementhelp.org/org_perf/capacity.htm,

“capacity building efforts can include a broad range of approaches, for example granting operating funds, granting management development funds, providing training and development sessions, providing coaching, supporting collaboration...”

The two views emphasise more of what capacity building should include in order to be meaningful. In the same vain, the United Nations Development Programmes (UNDP) defines

“capacity building as the creation of an enabling environment with appropriate policy and legal frame-work, institutional development including community participation (of women in particular) human resource development and strengthening of managerial systems”. The enabling environment can thus only be created through the “activities which strengthen the knowledge, abilities, skills and behaviour of individuals and improve institutional structures and processes such that the organisation can efficiently meet its mission and goals in a sustainable way” (World Customs Organisations cited in http://www.wikipedia.org.org/wiki/capacity_building).

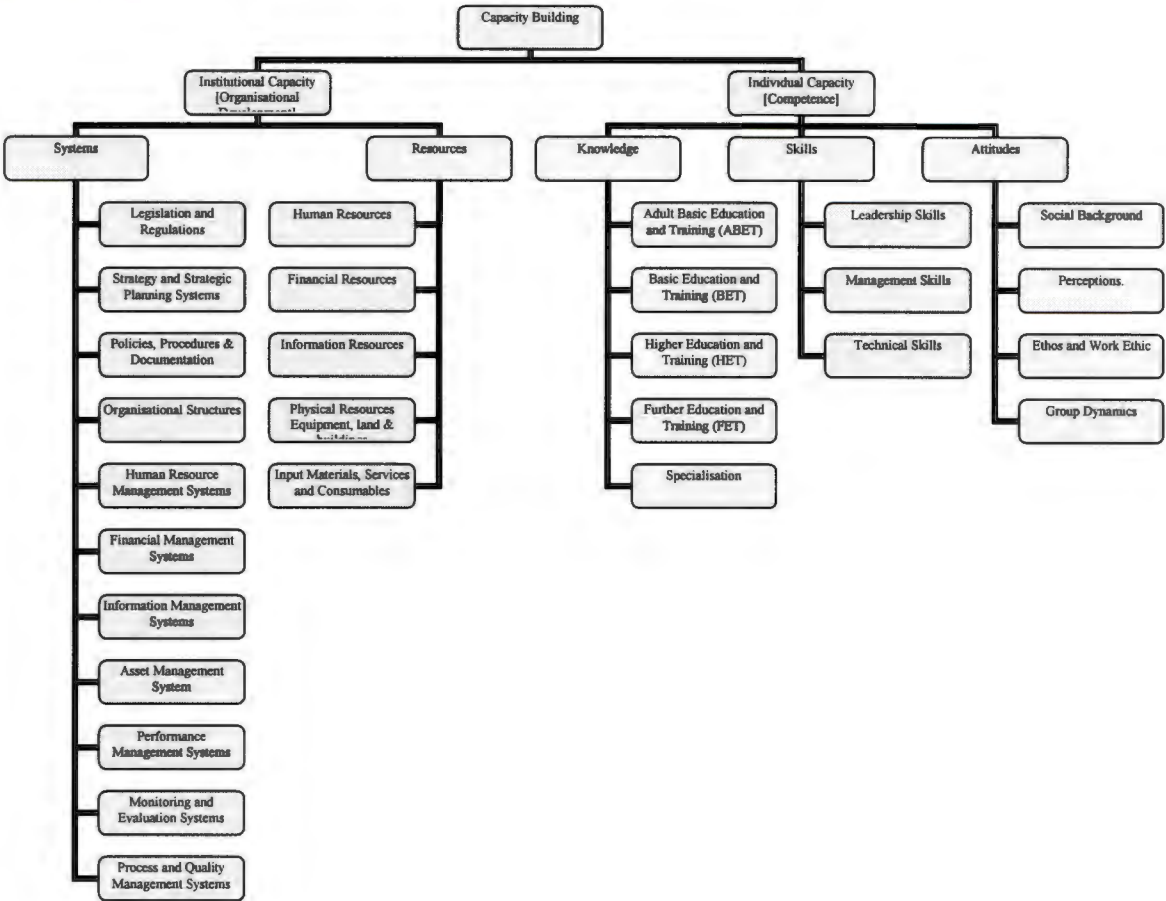
Both, these views, are consistent with sustainability of efforts as they postulate capacity building as a process of developing and strengthening the necessary skills for survival in the ever changing world. This characteristic can be traced back to the inception of the term. In the early 1970s the term capacity building was referred to as ‘institution building’. It involved building up the ability of basic national organisations, in areas such as civil aviation, meteorology, agriculture, health nutrition to do their task well (www.wikipedia.org.org/wiki/capacity_building.) The emphasis persisted until the term had evolved and become capacity building in 1991 (ibid).

South Africa is a new democracy that is only thirteen years old and it is logical that capacity building be elevated as one of the country’s highest priorities. In fact, in established democratic societies such as the United States of America (USA), Sweden and the United Kingdom (UK) the enabling

environment such as operating funds, training, support, policy, legal framework, knowledge and skills has been established, as a result, service delivery is efficient. Therefore, capacity building vis-à-vis technology and education will improve better organisation and improved service delivery among the citizens and especially the service providers in the developing world. Capacity building in this context should refer to the facilitation of the movement from the primitive technology, poor education (pre-condition for take-off, Rostow, 1960) to the modern and advanced levels (take-off, Rostow, 1960) compatible with improved service delivery. This combination of modernization and capacity building will enable the service providers in South Africa to deliver quality service.

After considering various perspectives of what capacity building is, a conclusion was drawn that this concept is holistic and entails the competence of the individuals within organisations as well as the institutional capacity of such organisations. It therefore follows that for capacity to be built, there should be a good balance between the development of the individual and the internal business environment within which they work, ie organisational development. Accordingly, the researcher developed a schematic diagram that unpacks these two key elements of capacity building as presented in Figure 2.1 below.

Figure 2.1



2.2.2 Theoretical framework

In the context of the Emerging Building Contractors (EBC) in the area under study, special measures have to be introduced to improve the chances of success of the state intervention (Martinussen, 1997). These special measures should, however, be designed in line with the needs of the EBC. The EBCs should understand best what their needs are in order to improve their capacity to deliver services. Whereas, the government cannot ignore the capacity building needs for the EBCs, it is important not to do things for them but do things with them. This “development by people” approach (Martinussen, 1997) will improve the EBCs’ capacity to identify their needs, make decisions, work out ways to achieve them, identify with them and ensure their ability to complete contracts successfully, on time, within the

budget constraints and to the requisite levels of quality, and more importantly, profitably.

2.3 The Importance of Contractors in the Economic Growth and Social Development

South Africa is a developmental state and the government has committed itself to the development of small, micro and medium enterprises for meaningful participation in the economic growth and social development. Of particular interest to this study is the development of the EBCs as important players in the construction industry. The vision for construction industry development policy and strategy found expression in the White Paper on Construction Industry Development (1999). To give impetus to policy and strategy implementation, enabling legislation was enacted and the Construction Industry Development Board Act (2000) came into being. This Act paved the way for the establishment of a national institution (state enterprise) namely the Construction Industry Development Board (CIDB). The key principles for the construction industry development processes and outcomes are to:

- Promote stability;
- Foster economic growth and international competitiveness;
- Create sustainable employment;
- Address historic imbalances as it generates new industry capacity (CIDB, 2004:9).

The objectives of the RDP are: meeting basic needs of the poor, building the economy, democratising the state and society (deepening democracy), developing human resources and nation building (CIDB, 2004:7). If the EBCs are to play a meaningful role in the growing of the economy and social development, they need to be empowered through skills development and organisational development programmes. The importance of partnership is captured in this quote:

**NWU
LIBRARY**

“No economy can meet its potential if any part of its citizens is not fully integrated into all aspects of that economy. Equally it follows that an economy that is not growing cannot integrate all its citizens into that economy in a meaningful way. The government will lay greatest stress on black economic empowerment that is associated with growth, development and enterprise development. We will work in partnership with the private sector” (Mbeki, 2003).

Within the ambit of the agreement reached by the social partners at the Growth and Development Summit held in 2004, the CIDB Construction Industry Status Report cites the Minister of Public Works, Stella Sigcau (MP) as having said that the 2004 Construction Summit should continue to inspire the responsibility and action of all stakeholders for a better industry in order to equip South Africa with the built environment it needs for economic and social development. The minister further states that:

“Our industry is also key to the New Partnership for African Development (NEPAD) and Africa’s infrastructure that should be delivered with the same attention to socio-economic progress that defines our objectives at home” (CIDB, 2004:3).

The national policy directives cited above will not be meaningful unless they are implemented at the local municipality level. In South Africa, municipalities are structured such that every square metre of land is located within a particular municipality. This concept is colloquially referred to as the wall-to-wall municipal configuration. It follows therefore that every economic activity and social development happens within a specific municipality. The development of EBCs must therefore be viewed in the context of the concept of ‘local economic development’ (LED), which is one of the five strategic key performance areas of municipalities, as prescribed by the Municipal Systems Act, 2003. According to this Act, the primary aim of municipalities is to enable the realization of the ideals of affordable universal access to basic services namely clean water, sanitation, roads, solid waste management and electricity.

It also follows that any effective and efficient delivery of the said services should of necessity be preceded by the provision of civil and electrical infrastructure, in other words, the construction thereof. This therefore places the building contractors at the centre of economic and social development. The centrality of infrastructure is further given prominence in the CIDB report entitled SA Construction Industry Status Report 2004. In terms of this report, the activities of the industry is reaching into every South African community, facilitating the objectives of portable water, sewerage disposal, electrification, health, education, housing and productive employment. The performance and capability of the industry is pivotal to transport and communication, import and export, industrial development and to all the logistics of growing the economy that increasingly supports the integrated and economically active community. It is in the context of these challenges that government has proclaimed the construction industry as a national asset to be developed, maintained and transformed. (CIDB, 2004:6). Central to this development, is the need to pay special attention to the EBCs with particular reference to providing antidotes to the causes of failure to perform contractually, the organisational development and the development of the collective human resource competence of individual business leaders, managers and technical employees.

2.4 Causes of Common Failures of Emerging Building Contractors

In order to get some insight into the causes of common failures of EBCs, information on three case studies was obtained through interviews as well as assessment of existing reports and these are presented below.

2.4.1 Case Study 1- Letsopa Housing Project, Ottosdal, South Africa

2.4.1.1 Background

The Letsopa Housing Project was a low-cost housing project located in Ottosdal and funded through the government capital housing subsidy scheme in terms of the national housing policy. This project was valued at R14 731

500.00 and consisted of 854 houses of 35m² each. The provision of housing function is the responsibility of the North West provincial government, specifically discharged by the Department of Developmental Local Government and Housing (DDLG&H). This function was duly delegated to the Ottosdal Municipality as a developer, through a contract. The project was approved in 1994 but eventually collapsed completely in 1999 before it was completed. As a result, the municipality was highly indebted but did not have the capacity and financial resources to complete the project. Subsequently, the municipality requested the provincial government to bail it out by taking full responsibility to remedy the situation. An investigation was commissioned and a report was submitted by consulting engineers African EPA (AEPA), the findings of which are presented in the following discussion (AEPA /DDLG&H, 2004)

2.4.1.2 Findings

The report on this investigation found that of the 854 RDP houses, 452 (53%) required repairs while 79 (9%) had to be demolished and rebuilt, leaving the balance of 300 (35%) houses not built at all. A total of 252 (30%) stands did not have service connections. The total collapse of the project was projected to cost R3 596 192.00 (AEPA/DDLG&H, *ibid*:15). Other technical defects were found to be structural cracks in foundations and walls, water penetration through walls, differential settlement of foundations, unstable external walls, and water ponding outside against walls (AEPA /DDLG&H, *ibid*:3).

The EBC in question was in fact a general dealer who was also selling limited building materials. This person had neither construction background nor project management capacity and/or experience. The Contractor did however have good business acumen in the retail sector.

2.4.1.3 Financial Implications

All outstanding elements required to successfully complete the project were quantified and this amounted to R7 173 310.00. If one takes into account the balance of R3 577 118.00 of unpaid money, the nett additional amount required was R3 596 192.00. This represents a project budget overrun of 24% on the original budget of R14 731 500.00, for which there was no provision in policy to deal with.

2.4.1.4 Conclusion

Based on the findings of the report, the main cause of the collapse of this project is generally lack of capacity but specifically the following:

- Poor understanding of housing policy implementation procedure manual.
- Poor or lack of project management skills.
- Poor or lack of financial management skills.
- Poor or lack of contract management skills.
- Poor technical supervision.
- Greed and corruption.

In terms of the definition of capacity building above, the contractor lacked capacity because despite his business skills in the retail sector, his project management skills were very poor. Project management revolves around a delicate balance between key management areas namely scope, time, cost, quality, risk, procurement, human resource, communication, and integration (PMBOK Guide, 2000).

2.4.2 Case Study 2 – Termination of the Mafikeng Provincial Library Contract

2.4.2.1 Background

This case study involves a building contract worth R45.6million that was awarded to Mawasha Building Construction CC to build a provincial government library and archives building in Mafikeng, South Africa. The contract commenced on 24 August 2006 for completion and hand over on or before 26 November 2007. The client was the North West Department of Sports, Arts and Culture while the implementing agent was the Department of Public Works. The contract was subsequently terminated on 09 July 2007 due to poor performance by the contractor. Poor performance related particularly to failure to adhere to the contractual timeframes. Progress on the project was extremely slow, leading to the contractor falling behind schedule. The cancellation was not contested as the contractor consented in writing two days after termination. A quantity surveyor was commissioned to assess the scope and value of work done while the civil engineer investigated possible defective work. A new contractor namely JR/Stock/Madonna was appointed to complete the contract at an estimated R11million as a result of escalation of building material prices (Step Ahead Newsletter Volume 1, 2007:6).

2.4.2.2 Findings



According to the report by principal consultants, it was found that the causes of failure of the contractor were the following:

The contractor failed dismally to adhere to the time schedule and consistently so over a period of seven months. The causes were as a result of:

- Failure to adequately source materials through credit from suppliers.
- Failure to recruit adequately skilled and competent site supervisors.
- Failure to recruit adequately skilled and competent artisans.

- Poor cash flow management.
- Habitual late payment of employees.
- Lack of ability to raise adequate bridging finance.
- Poor quality of workmanship.
- Poor cost management.

2.4.2.3 Conclusion

First, inadequate or lack of capacity of the contractor compromised the fundamental goal of government which is service delivery to the public. Second, failure of the contractor to perform to the prescripts of time, cost and quality has undermined the efforts of government to develop emerging contractors. This could probably lead to resistance by the officials in the Department of Public Works (DPW) to use the services of EBCs in future projects of this nature. If this likelihood materialises, the broader impact would be to slow down instead of accelerating the participation of a large body of EBCs from previously disadvantaged communities. In addition, the direct consequence on the one hand would be poor service delivery to client departments by DPW while on the other hand, the broader development objectives of the RDP and Accelerated Shared Growth Initiative of South Africa (ASGISA) would be undermined. In terms of ASGISA, the government is committed to accelerate the growing of the economy through shared initiatives with the private sector.

2.4.3 Case Study 3 - Thea Morafe Primary School

2.4.3.1 Background

This was a project to build the Thea Morafe Primary School NW241/04 in Jouberton, Klerksdorp. The project was originally valued at R6 450 532.00. The start date was 14 July 2005 and the contract duration was 15 months. Progress was too slow and after compassionately accommodating the contractor's incapacity initially, the Department was finally forced to terminate

the contract because of poor performance (NW Department of Public Works, 2007)

2.4.3.2 Findings

Two officials of the North West Department of Public Works were interviewed and the following were found to be the causes of failure by the contractor to perform:

2.4.3.2.1 General

- Lack of experience in construction projects
- There was a general lack of capacity
- Failure to pay creditors (material suppliers) on time
- Failure to pay employees on time
- Use of poorly skilled artisans

2.4.3.2.2 Management

- Lack of planning
- Lack of project management skills
- Poor general financial management skills
- Lack of cashflow management skills
- Poor contract management skills

2.4.3.2.3 Access to finance

- Limited ability to get credit from material suppliers
- Inability to get bridging finance from financiers
- Inability to give surety, collateral or performance guarantee

2.4.3.2.4 Technical skills and performance

- Generally poor knowledge of construction technology
- Lack of technical skills (technicians and artisans)
- Slow progress – persistent failure to adhere to time schedule
- Poor quality workmanship

2.4.3.2.5 Organisational readiness

- Poor understanding of policies and legislation
- Non-existent strategic planning
- Non-existent policies and procedure
- Non-existent HR management systems
- Poor financial management systems
- Lack of quality management systems

2.4.3.2.6 External factors

- Late payment of progress draws by government departments

2.4.3.2.7 Financial implications

The quantity surveyor for the project came to the conclusion that the total estimated cost to complete the project (final account) was R7 442 000.00. At that stage, there was still R5 543 732.00 unpaid from the original contract amount of R6 450 532.00, resulting in an estimated cost overrun of R 1 898 298.00. This is 29% in excess of the original contract amount.

2.4.3.3 Conclusion

The North West DPW is committed to giving opportunities to emerging building contractors in line with the national empowerment policies. The contractor in question was willing but not able due to lack of capacity. Key

failures are in the area of project management, cash flow management, poor technical supervision and workmanship, lack of access to both material suppliers’ credit and bridging finance. Government support programmes for EBCs does not appear to be effective.

2.4.4 Overall Conclusion

Many failures by emerging contractors lead to slow housing development, poor workmanship and in some extreme case, total collapse of development projects. These failures often have serious socio-political and socio-economic consequences within local communities. These failures further undermine the efforts by the government to preferentially empower EBCs as managers responsible for projects as well as supply chain management are under pressure to perform diligently and therefore tend to develop hardened attitudes against EBCs. In the process opportunities for accelerated economic growth are lost. From the preceding case studies, the causes of failure are summerised in Table 2.1:

Table 2.1

Category	Cause of failure
Entrepreneurship	• Reliance on government tenders instead of proactive business development • Poor marketing strategy or tactics
Management	• Poor or lack of planning and strategic management skills • Poor or lack of project management skills • Poor or lack of financial management skills • Poor or lack of contract management skills
Access to finance	• Inability to get credit from material suppliers • Inability to get bridging finance from financiers • Inability to give surety, collateral or performance guarantees
Organisational readiness	• Poor understanding of legislation • Poor or non-existent strategic planning • Poor or non-existent policies and procedure • Poor or non-existent HR management systems • Poor or non-existent financial management systems • Poor or non-existent information management systems • Poor or non-existent asset management systems • Poor or non-existent quality management systems
Technical	• Lack of technical skills
External environment	• Late payment by government departments

2.5 Benchmarking Competence of Individuals

2.5.1 National Construction Industry Performance Perspective

CIDB is a strategic national institution whose main aim is to provide a regulatory and development framework that builds:

- The total construction delivery capability for South Africa's economic and social growth; and
- A proudly South African construction industry that delivers to globally competitive standards (CIDB, 2004:1).

Furthermore, in terms of the White Paper on Construction Industry Development (1999), the framework identifies four objectives namely:

- **Growth** - an enabling strategy aimed at sustainable growth, stability and employment
- **Delivery** - enhanced delivery (product and service)
- **Performance** - improved industry performance and global competitiveness, and
- **Empowerment** - value for money and empowerment (CIDB, 2004:9)

In order to improve the construction industry performance, the CIDB objective embodies global competitiveness as a key component. It is essential to be globally competitive in order for the EBCs to be both sustainable and profitable. Any assessment or examination of capacity building of EBCs will therefore be incomplete without using international standards as a yardstick because South Africa is part of a global village. Benchmarking (also "best practice benchmarking" or "process benchmarking") is a process used in management and particularly strategic management, in which organisations evaluate various aspects of their processes in relation to best practice, usually within their own sector. This then allows organisations to develop plans on how to adopt such best practice, usually with the aim of increasing some aspect of performance. Benchmarking may be a once-off event, but is often

treated as a continuous process in which organisations continually seek to challenge their practices (<http://www.wikipedia.org/wiki/Benchmarking>).

In examining the capacity building needs of the emerging contractor therefore, and in line with the definition of capacity building, two key elements should be assessed namely the competence of human resources (individuals) on the one the hand, and components of organisational development on the other (institutions or business organisation).

2.5.2 Benchmarking the Required Competencies of People

Critical areas of performance should be developed to ensure that the human resource capability within the construction industry is world class. For the purpose of this study, these were limited to entrepreneurship, strategic management, general management, project management, technical management and marketing management. The rationale was to unpack the contents of these critical management areas in order to assess the extent to which they were incorporated in the government intervention programmes.

2.5.2.1 Entrepreneurship Benchmarking

Entrepreneurship is the practice of starting new organisations or revitalizing mature organisations, particularly new businesses generally in response to identified opportunities. It is often a difficult undertaking, as a vast majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organisation that is being started. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high-profile" entrepreneurial ventures seek venture capital or in order to raise capital to build the business. Venture capitalists generally seek returns of 20-30% and more extensive involvement in the business (Angel Investing, Van Osnabrugge and Robinson). Many kinds of organisations currently exist to support would-be entrepreneurs, including specialized government agencies,

business incubators, science parks, and some NGOs (<http://www.wikipedia.org/wiki/Entrepreneurship>).

Entrepreneurship is about business leadership and an entrepreneur has to have the vision to dream, conceptualise and see opportunities that many others do not see. He/she ordinarily looks beyond the horizon and has the ability not only to conceive ideas, but to turn such ideas into opportunities. The entrepreneur must therefore not only manage but lead. Smit (2003) argues that no matter how good a manager one is, if one is a bad leader, one's business will suffer. The author further makes a distinction between leadership and management in that leadership is about what one wants to achieve while management refers to the best way of achieving it (Smit *ibid* : 2).

One of the key components of any organisation is purpose- and objectives-driven individuals who are conscious of the duty to achieve organisational goals and objectives proactively, even in the absence of their supervisors or managers. It therefore follows that emerging contractors must be trained in entrepreneurship so that they can contribute to and sustain the targeted provincial economic growth. It is important therefore that they be developed into self-driven business leaders and managers who are the building blocks of a thriving economy. According to Smit (*ibid*), habits are critical to any person's behaviour and entrepreneurship is also influenced by habits. The author identifies seven habits as being proactiveness, beginning with the end in mind, prioritisation, win/win combination, consultativeness, synergy and personal motivation.



One of the central objectives of government as part of a developmental state is job creation. As Growth Employment and Redistribution (GEAR) suggests, employment is recognised as being key to economic prosperity. However, the role of government is to create the socio-political and socio-economic climate that is conducive to job creation by the private sector, in particular the entrepreneurs. O'Neill et al (1997:1) argue that governments, economists and even lay persons have learnt to appreciate the role that the entrepreneurship

play in creating employment opportunities and a higher standard of living for most people.

In simple terms, an entrepreneur can be defined as an ordinary individual who does extraordinary things which other ordinary individuals hesitate to do. The act of doing is a distinctive element of action which distinguishes an entrepreneur from other individuals (O'Neill *ibid*). Characteristics of entrepreneurship are listed in www.wikipedia.org/wiki/Entrepreneurship as follows:

- The entrepreneur has an enthusiastic vision, the driving force of an enterprise.
- The entrepreneur's vision is usually supported by an interlocked collection of specific ideas not available to the marketplace.
- The overall blueprint to realize the vision is clear, however details may be incomplete, flexible, and evolving.
- The entrepreneur promotes the vision with enthusiastic passion.
- With persistence and determination, the entrepreneur develops strategies to change the vision into reality.
- The entrepreneur takes the initial responsibility to cause a vision to become a success.
- Risks; Entrepreneurs take prudent risks. They assess costs, market/customer needs and persuade others to join and help.
- An entrepreneur is usually a positive thinker and a decision maker.

The essence of GEAR also makes it clear that redistribution of wealth must be preceded by the growth of the economy, at the centre of which is the creation of employment. According to O'Neill (*ibid*), the most significant characteristic of the process of innovation and creation of new economic wealth by new and young entrepreneurial entities is that it is a local activity. Economic development is primarily not a national phenomenon and it does not happen in general but to specific people in specific places. The author further argues that entrepreneurs are local and they found their new enterprises in those places where they find the inspiration and opportunity (O'Neill *et al ibid* : 6).

This phenomenon is universal, hence the government policy emphasises local content in developmental projects in terms of both labour and material. The local nature of entrepreneurship, which could also be regarded as 'local economic development' (LED) therefore supports the notion that capacity building efforts to support emerging contractors must be focused and localised within every local municipality area.

According to O'Neill et al (ibid), it is generally believed that establishment and growth of small enterprises is one of the primary sources of new employment opportunities. Cognisance should however be taken to guard against viewing small business development as the only answer to the challenges of unemployment, as the variables of the market environment and technological advancement continuously require existing businesses, both large and small, to innovate in order to survive. The author further argues that the "trend of obsolesce is especially apparent in the pharmaceutical and computer industries. This is a classical question of 'adapt-or-die', which is the key element of the biological survival of all species and which is a common characteristic of well known viruses". It is imperative therefore to ensure that the culture of life-long learning is inculcated and played out in all capacity building programmes that are aimed at emerging contractors.

A careful study of the role and responsibilities of a contractor as a business owner, reveals that the spectrum covers all business units. To illustrate this point, an example is used of an emerging contractor who has an idea of building a small house on a piece of land that belongs to a municipality and to sell this house to a customer who needs to take a mortgage bond over twenty years. This entails the ideas originated by the contractor, as opposed to a situation where he/she responds to a tender. In the former instance, the contractor should be an all-rounder to succeed in this venture. The broad spectrum of knowledge, skills and attributes is similar to what is taught in a Master of Business Administration (MBA) programme at the business schools of most universities. According to Silbiger (1999), who studied the contents of many MBA programmes from top international business schools, simply put, these consists of key learning areas of marketing, ethics, accounting,

organisational behaviour, quantitative analysis, finance, operations, economics and strategy.

Silbiger (ibid) argues that the synthesis of knowledge from all of these disciplines is what makes the MBA valuable. The author gives an example of a new product manager with an MBA, who does not only see business challenges from a marketing perspective, but recognises and deals with the financial and manufacturing demands created by the new product. The coordinated, multidisciplinary approach is usually missing in undergraduate (or functionally oriented) business curricula. By learning about all disciplines at once, it gives the opportunity to synthesize MBA knowledge so that a manager is better positioned to manage all business units as a whole. It is this kind of holistic approach to the building of capacity of EBC that is likely to be significantly effective in equipping them with entrepreneurial skills.

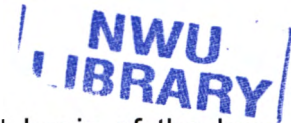
For South Africa to produce world class building contractors who will sustain economic growth, deliver on contractual obligations and perform well within the globally competitive market according to national objectives, no efforts should be spared to train and incubate EBCs in entrepreneurship.

2.5.2.2 General Management Benchmarking

A discussion of a specific branch of management should be preceded by that of generic management in order to give broad context and general overview. Management comprises directing and controlling a group of one or more people or entities for the purpose of coordinating and harmonizing them towards accomplishing a goal. Management often encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources. Management can also refer to the person or people who perform the act(s) of management (<http://www.wikipedia.org.org/wiki/Management>). The general management concept is applicable to EBCs as they have to manage people, finances, technology and materials in order to complete the process of building or “manufacturing” products towards the achievement of business goals.

Fayol (1949, 987), as cited in www.wikipedia.org.org/wiki/Management suggests that management is a universal human activity that applies equally well to the family as it does to the corporation. Follet (1868–1933), who wrote on the topic in the early twentieth century, is also quoted by the same source as having defined management as "the art of getting things done through people". One can also think of management functionally, as the action of measuring a quantity on a regular basis and of adjusting some initial plan; or as the actions taken to reach one's intended goal. This applies even in situations where planning does not take place. From this perspective, Fayol (ibid) considers management to consist of five functions as stated below, to which the researcher has elaborated by giving context relevant to building contractors:

2.5.2.2.1 Planning



Hellriegel et al (2004:76) argue that planning is the most basic of the key management functions and if properly done, it sets the direction for the other functions of organising, leading and controlling. In support of this notion, Smith & Cronje (1992:83) further qualifies this view in that some managers in fact regard planning as the primary function while organising, leading and controlling are regarded as secondary. The purpose of planning is to think ahead before one acts. First, the contractor should think long term and strategically about both the internal and external environment, including the identification of a niche market. Second, he/she should think ahead short term or tactically about what specific projects to execute, how, when, why, and how much resources should be deployed in achieving them. Third, thought must be given to the value chain relationship in the conversion processes with regard to the three stages namely input, processing and output, before any project is undertaken. Finally, all these forward thoughts should be done such that there is a buy-in from key stakeholders, making sure that the objectives or intended outcomes are specific, measurable, achievable, realistic and time-bound (SMART). The output of a planning process is a 'plan' and it should be simple, clear and easily understood.

2.5.2.2.1.1 The Importance of a Business Plan

Meyer and Allen (2004:114) observe that there is a perception that business plans are for bankers, not entrepreneurs. The statement by the two authors reflects the typical entrepreneur's preference for action over paperwork. They further identify the reasons for a business plan as being to organise information, serve as a feasibility check, provide a start-up blueprint and to obtain finance. They argue that the process of putting together a business plan can give a solid basis for a conclusion whether or not a business idea is practical or feasible. For example, when a market analysis is done, it helps determine who the potential customers are, where they are, how many there are. Once this step is completed, information will assist in the decision as to whether there is a sufficient customer base to support the business enterprise (ibid: 115). It is also common practice by financial institutions that a business plan is a standard requirement which is prerequisite for consideration of any bridging finance or capital finance application. Capacity building programmes for EBCs should therefore incorporate elements of both the business plan systems as well as skills development on the compilation of such plans.

2.5.2.2.2 Organising

Smith & Cronje (1992:176) describe organising as a management function that entails the clustering of activities that are required to attain common objectives, as well as allocating the supervisory responsibility for each such cluster of activities to an individual, with the necessary authority. By extension therefore, organising is not limited to activities only but is also applicable to resources and systems. In the context of the EBC, the purpose of organising should be to achieve organisational readiness. The contractor should ensure that all resources and systems necessary for each project are ready to be deployed. First, the nature of the industry is not retail but project-based and therefore work is usually procured through tendering and implementation is done at various sites. Unlike in the manufacturing sector where the function of organising is more stable and permanent in nature, in the construction business it is project-specific and tends to more variable and short term. The

nomadic nature of the construction work therefore suggests that the demand on the EBC's organising abilities is more pronounced. Second, as stated in Figure 2.1, people (human resources) should be organised through employment or outsourcing. Financial and physical resources such as land and buildings, offices, equipment, plant and materials should be arranged. Information relating to all key aspects of the project organisation should be identified, collected, collated, analysed and synthesised. Contractors should familiarise themselves with the specification of the process and product quality of each project as each one is unique every time.

Hellriegel et al (2004:202) identifies four fundamental elements of organising as being specialisation, standardisation, coordination and authority. Systems within a construction business should be organised so that activities are done in a structured fashion. This means that systems are needed to support specialisation, standardisation, coordination and authority. These include strategy, structure, policy, procedure, documentation, financial, human, information and physical resources management systems. Quality management systems as well as monitoring and evaluation systems are also critical. Once organised, all activities should be done in accordance with approved systems.

2.5.2.2.3 Leading

The purpose of leading is to get things done. Once there is a plan and resources and systems are in place, there is readiness. However, this does not necessarily follow that work will be done. People should be directed, motivated, inspired and influenced such that they can implement the project plan through the effective and efficient use of resources for purposes of achieving the desired specific outcomes as contained in project plans. Smith & Cronje (1992:332) argues that people are probably the most complex of all business resources because they are unpredictable and different in that each individual has a different combination of interests, capabilities, habits, attributes, skills and objectives and is differently motivated. In the context of the construction business, workers must be led such that they can complete each project within time and budget constraints and to the requisite levels of

quality, every time at a different location with a different set of environmental factors. A construction entrepreneur should therefore, similar to a soccer team coach, be well versed in leadership matters.

2.5.2.2.4 Co-ordinating

The purpose of coordinating is to achieve synthesis and synergy. Co-ordinating is closely related to the function of leading in that the activities and efforts of all individuals and business units are integrated in a concerted way. In a typical construction project or contract, the contractor should ensure that the contribution of consultants, engineers, designers, building inspectors, relevant government departments, manufacturers and suppliers of materials, technicians, artisans, sub-contractors and the client are co-ordinated. Effective communication is central to good co-ordination.

Supply Chain Management (SCM) could well be a good frame of reference for development of management system to co-ordinate various elements of construction business processes. A supply chain, often referred to as a logistics network or supply network, is the system of organisations, people, activities, information and resources involved in moving a product or service from supplier to customer. Supply chain activities transform raw materials and components into a finished product that is delivered to the end customer. The purpose of any supply chain is to link various value chains like a river linking its tributaries. A typical supply chain begins with the extraction of raw material and includes several production links, for instance; component construction, assembly and merging before moving onto several layers of storage facilities of ever decreasing size and ever more remote geographical locations, and finally reaching the consumer (http://www.wikipedia.org/wiki/Supply_chain).

2.5.2.2.5 Controlling

The purpose of controlling is to ensure that the project plan is meticulously implemented and there is compliance with policies and procedure. There must be conformity to systems and processes and the output must be in line with the plan in terms of time, cost and quality. Typically, a quality management

system (QMS) and a monitoring and evaluation (M&E) system should be used for this purpose. Contractors should develop their own QMS and M&E systems as well as subject themselves to external control systems of regulators such as building inspectors and consulting engineers.

Management is generally categorised into three different levels according to <http://www.wikipedia.org.org/wiki/Management> and these are particularly applicable to the emerging building contractors for purposes of sound organisational structure and these are as follows:

2.5.2.2.5.1 Top-level management

- Top-level managers are required to have business leadership qualities
- They must have extensive knowledge of management concepts.
- They have to be aware of external factors such as markets.
- Their decisions are generally of a long-term nature.
- They are responsible for strategic decisions.
- They are directly accountable to the shareholders

2.5.2.2.5.2 Middle management

- Mid-level managers have a specialised understanding of certain managerial tasks.
- They are responsible for and carrying out the decisions made by top-level management.
- They are responsible for tactical decisions.

2.5.2.2.5.3 Lower management

- This level of management ensures that the decisions and plans taken by the other two are carried out.
- Lower-level managers' decisions are generally short-term ones.

In conclusion, owners of construction businesses should be trained in the principles of general management in order to survive in this highly competitive industry. Once the general principles are well known, these can be easily

adapted to other specific disciplines of management. Without good management principles, tools and techniques, the CIDB objectives of growth, delivery, performance and empowerment will be difficult to achieve or otherwise take too long to achieve, thereby undermining ASGISA objectives.

2.5.2.3 Strategic Management Benchmarking

The tasks of crafting, implementing, and executing company strategies are the heart and soul of managing a business enterprise. A company's strategy is the game plan management uses to stake out a market position, conduct its operations, attract and please customers, compete successfully and achieve organisational objectives. In crafting a strategy, management is in effect saying:

“Among all the paths and actions we could have chosen, we have decided to move in this direction, focus on these markets and customer needs, compete in this fashion, allocate our resources and energies in these ways, and rely on these particular approaches to doing business.”

A strategy thus entails managerial choices among alternatives and signals organisational commitment to specific markets, competitive approaches and ways of operating (Thompson and Strickland, 2003:3)

Thompson and Strickland (ibid) define strategic management as referring to managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over time initiating whatever corrective adjustments of all these aspects if deemed appropriate. The authors define a company's strategy as consisting of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully and achieve business objectives (Thompson and Strickland, 2003: 3). The EBCs should therefore establish and run their businesses not arbitrarily but should rather be guided by a business strategy that is based on and informed by a marketing strategy. In turn, the marketing strategy of any EBC should be informed by the needs of the customers through a scientific market research.

For the businesses of EBCs to be sustainable, they must be competitive and profitable and the purpose of any capacity building initiative should be to give them initial support so that they can attain sustainability since long term rather than short term profitability is crucial. Thompson and Strickland (ibid) argue that the concept of 'business model' is closely related to strategy but is widely applied to the management plan to make money in a particular business. The business model deals with the revenue-cost-profit economies of its strategy- the actual projected revenue streams generated by the company's product offerings and competitive approaches, associated cost structure and profit margins, the resultant earnings stream (e.g. profit) and return on investment. The fundamental question in the company's business model is whether a given strategy makes sense from a money-making point of view. In brief, a business model deals with whether the revenues and costs flowing from a strategy demonstrate business viability (Thompson and Strickland, ibid).

Thompson and Strickland (ibid) further argue that a good strategy and strategy execution is the most trustworthy sign of good management. Excellent execution of an excellent strategy is the best test of managerial excellence – and the most reliable recipe for organisational success. In examining the capacity building needs of emerging contractors, the two concepts of strategy and business model should be viewed as critical aspects and international best practice against which to judge potential success and to package business solutions within development programmes. The quantity surveying professionals should be utilized to assist EBCs through the use of business models that are custom-made and well developed for the building construction industry. It is common practice to include quantity surveyors as part of a professional team looking after the business interest of any construction project undertaken by established contractors and this practice should be emulated by EBCs, albeit on a shared service basis.

Every business must have a strategic goal and this would further be broken down into strategic objectives. All company employees must then deploy all resources, efforts and energies in concert for the purpose of achieving such

objectives. In fact, the company must be viewed as strategy owing its existence to the achievement of strategic objectives. According to Thompson and Strickland (ibid), strategic objectives indicate strategic intent. The strategic intent of a large company may be to be industry leaders on a national or global scale while in the case of a small company may be to dominate a rich market. An up-and-coming enterprise may state its strategic intent as being to overtake the market leaders. A company exhibits strategic intent when it relentlessly pursues ambitious strategic objectives and concentrate its competitive actions and energies on achieving these objectives (Thompson and Strickland, ibid)

In order to pursue strategic objectives relentlessly, the strategy must be implemented and such implementation needs strong take-charge leadership, according to Thompson and Strickland (ibid). It requires leadership or a leader who possesses good attributes and who plays many roles such as being a visionary and strategist, chief entrepreneur, chief administrator and strategy implementer, culture builder, resource acquirer and allocator, capabilities builder, process integrator, coach, crisis solver, taskmaster, spokesperson, negotiator, motivator, arbitrator, consensus builder, policy maker and enforcer, mentor and head cheerleader.

2.5.2.4 Project Management Benchmarking

The capacity of any emerging contractor to deliver on the contractual obligations of a project reflects performance competence. According to the Edutel training manual on 'Workplace Assessment', competence is the ability to combine the performance areas of knowledge, skills and attributes or attitude of a person into an effective whole in relation to the given responsibility or task in the workplace (Edutel, 2004).

Burke (2003) quotes the UK-based Association of Project Managers' Body of Knowledge (APM BoK) as defining project management as the most efficient way of introducing change achieved by :

- Defining what has to be accomplished (objectives), generally in terms of time, cost and various technical and quality performance parameters;
- Developing a plan to achieve these objectives using appropriate project management techniques and tools, and then working this plan and monitoring and ensuring that progress is maintained in line with these objectives; and
- Employing persons skilled in project management – including normally a project manager – who are given responsibility for introductory change and are accountable for its successful accomplishment (Burke, *ibid*).

The Project Management Body of Knowledge (PMBOK) Guide 2000 defines a project universally as a temporary endeavour undertaken to create a unique product or service. Furthermore, project management is defined as the application of knowledge, skills, tools and techniques to project activities to meet project requirements (PMBOK Guide, *ibid*). The PMBOK is an inclusive term that describes the sum total of knowledge within the profession of project management. As with other professions such as law, medicine and accounting, the body of knowledge rests with the practitioners and academics that apply and advance it. The full project management body of knowledge includes knowledge of proven traditional practices that are widely applied, as well as knowledge of innovative and advanced practices that have seen more limited use, and includes both published and unpublished material (PMBOK Guide, *ibid*).



In assessing the capacity building needs of emerging contractors therefore, it is important to focus on the project management theoretical framework as the platform. A comprehensive framework, as developed by the USA-based Project Management Institute (PMI), reveals that project management consists of nine knowledge areas as described in the following discussion (PMBOK Guide *ibid*). This framework has been found to be the most relevant to the construction industry environment. It is evident from the framework that it covers quite a wide spectrum of knowledge areas and these can be further

analysed to determine the specific technical and soft skills that are required to turn these knowledge areas into measurable work or project deliverables.

According to PMI, the nine knowledge areas are briefly described below:

- “*Project Integration Management* entails the processes required to ensure that the various elements of the project are properly coordinated. It consists of project plan development, project plan execution and integrated change control”;
- “*Project Scope Management* entails processes required to ensure that the project include all the work required, and only the work required, to complete the project successfully. It consists of initiation, scope planning, scope definition, scope verification and scope change control”;
- “*Project Time Management* entails the processes required to ensure timely completion of the project. It consists of activity definition, activity sequencing, activity duration estimating, schedule development and schedule control”;
- “*Project Cost Management* entails the process required to ensure that the project is completed within the approved budget. It consists of resource planning, cost estimating, cost budgeting and cost control”;
- “*Project Quality Management* entails the processes that ensure that the project will satisfy the needs for which it was undertaken. It consists of quality planning, quality assurance and quality control”;
- “*Project Human Resource Management* entails the processes required to make the most effective use of people involved with the project. It consists of organisational planning, staff acquisition, and team development”;
- “*Project Communications Management* entails processes required to ensure timely and appropriate generation, collection, dissemination, storage, and ultimate disposition of project information. It consists of communications planning, information distribution, performance reporting and administrative closure”;

- “*Project Risk Management* entails processes concerned with identifying, analyzing and responding to project risk. It consists of risk management planning, risk identification, qualitative risk analysis, risk response planning, and risk monitoring and control”; and
- “*Project Procurement Management* entails the processes required to acquire goods and services from outside the performing organisation. It consists of procurement planning, solicitation planning, solicitation, source selection, contract administration, and contract close out” (PMBOK Guide, ibid).

It is evident from the quote that project management according to PMBOK is comprehensive. This is an internationally conceptualised, tried and tested system that comes from the construction industry itself. Project management is therefore central to the core business of any EBC and therefore should be taught vigorously through highly experiential methodologies such as apprenticeship and learnership. Coaching and incubation should be key components of empowerment delivery mechanisms.

2.5.2.5 Marketing Management Benchmarking

Silbiger (1999:2) quotes Kotler of the Kellogg Business School at North Western University as saying that ‘marketing comes first’. Marketing integrates all the functions of a business and speaks directly to the customer through advertising, salespeople, and other marketing activities. In Example 1, there would be no deal without the contractor identifying customer’s housing needs, selecting those that can afford to buy (the demand), offering the product to prospective buyers and finally, selling to the buyer. This is the essence of marketing and those that are skilled in marketing techniques are more likely to succeed in business.

Silbiger (ibid:2) further identifies seven steps of marketing strategy development as being

- consumer analysis;

- market analysis;
- review of the competition and self;
- review of the distribution channels;
- development of a preliminary marketing mix;
- evaluation of economics; and
- revision of steps 1- 6 until a consistent plan emerges.

Entrepreneurship is about leadership more than just management. Therefore business leadership is about long term vision beyond the horizon and leadership in this instance is expressed in the form of a marketing strategy which seeks to respond directly to the needs of the customer and seize the opportunity to satisfy such needs ahead of competitors. A company makes money by satisfying the needs of customers (Kotler, 2003:24). In Example 1, the contractor should formulate a simple marketing strategy by analysing the profile of consumers to establish their needs, economic class, disposable income and affordability levels (demand), consumer behaviour and socio-cultural factors. According to basic economics theory in terms of 'the law of demand', the demand curve is influenced primarily by the price of the product, the price of substitute products, the income of the consumer, the size of the population and consumer preferences or taste (Salvatore, 2004:88).

Being a leader presupposes that there are followers or subordinates who are directly responsible for translating strategic goals and objectives into tangible and measurable results. A good contractor operating in a market-driven economy must therefore guide his/her organisation not in a reactionary and ad hoc manner, but through strategic leadership with a strong element of marketing. According to Kotler (2003), successful companies know how to adapt to a continuously changing marketplace as "they practise the art of market oriented strategic planning, the managerial process of developing and maintaining a viable fit between the organisation's objectives, skills and resources on the one hand, and its changing market opportunities on the other". The aim of strategic planning is to shape the company's business

products, services, and message so that they achieve targeted profits and growth.

Kotler (ibid:83) argues that it is more important to do what is strategically right than what is immediately profitable. The author further states that a business must be viewed as a customer-satisfying process, not a goods-producing process. He believes that products are transient, but basic needs and customer groups endure forever. By inference, the contractor whose marketing strategy is product oriented would tend to be mechanically concerned with building houses, whereas the more enduring need is for comfortable, safe, affordable and homely accommodation. The marketing strategy approach that is based on the needs will be adaptable and therefore be continuously responsive to the changing marketplace. The strategy that is based on the customer-satisfying approach would guide the contractor to build a variety of accommodation options, only limited by the market demand.

In Example 1, the contractor has to first look for customers who have specific needs so that he/she can satisfy such needs. Through market segmentation, the contractor is able to identify a group that he/she is most comfortable with, that is, the niche market. Within that group, the contractor must sell the product and service to a customer who is bankable, after which he/she must approach a financier for bridging finance. A business plan is required for this purpose but the business case must be marketed to the financier as well. Raw materials, consumables and labour are commonly procured on credit and this means that the contractor must be creditworthy. To persuade suppliers to give credit requires a good marketing initiative that is well planned and executed.

Much as it is important to understand marketing for the purpose of negotiating better deals as a consumer, it is also important for the survival of the firm. This is particularly true in the construction business, especially with regard to the property market where a single item like a house is extremely expensive and ordinarily takes many years, often up to twenty years to be paid off. This situation dictates that marketing including a successful sale must precede the building contract and project execution. Where open tendering is involved,

there are many competitors and those who market themselves well are likely to be the most successful.

In order to give impetus to the BEE, government policy must conform to the free enterprise economic system, which is market driven. Contractors' disproportionate reliance on advertised tenders from government departments as a source of contract work needs to change if they are to succeed in a highly competitive marketplace. According to Brink *et al* (2004 : 1), marketing plays a major role in everyday human life and people participate in the marketing process as consumers of products and services. He further argues that about half of every rand spent pays for marketing costs, which include marketing research, product development, packaging, transportation, storage, advertising and sales expenses. By developing better understanding of marketing, one becomes a better-informed consumer. One better understands the buying process and be able to negotiate more effectively with sellers (Brink *et al* *ibid*). Brink *et al* further quotes Drucker as stating that "because the purpose of business is to create and keep customers, it has only two central functions – marketing and innovation. The basic function of marketing is to attract and retain customers at a profit".

The historical context of South Africa is such that as a result of apartheid there are two economies, the first world economy and the third world economy. By virtue of this situation, black people are mainly consumers while white people are in the main the suppliers of products and services. To turn the situation around, the emerging contractors, the majority of whom are black people, need to be empowered with the skills and systems on the one hand to market their products and services to white communities as suppliers, while on the other hand changing the mindset of white people that they can be safe and satisfied consumers of quality goods produced by black entrepreneurs. This requires intensive cross-cultural marketing effort to assist in penetrating markets in the developing world such as Africa, South America and Asia.

Another aspect of cross-cultural marketing involves the marketing of products and services beyond the country's borders. For emerging contractors, the Southern African Development Community (SADC) region should be the first step in participating in the continental and global market. SADC is developing towards a 'borderless' trade-free region and emerging contractors have the opportunity to participate in construction projects in other countries such as Zimbabwe, Botswana, Angola etc. According to Rugimbana and Nwankwo (2003: 4), as individuals,

“we are all exposed to several cultural influences depending on the different groups ‘in-groups’ we belong to: the nation, the state, the family, the region, the profession, the company, the industry or sector, the ethnic group, the religious group, the age group or gender. As these individuals become successively and simultaneously members of these groups, they can be considered to be fundamentally multicultural”.

Electronic Business (e-Business) can be used as an effective cross-cultural marketing tool. According to Rugimbana and Nwankwo (ibid), there are many possible implications for electronic business within cross-cultural marketing. The new, more global medium gives customers access to more information, more competition, and inevitably more power. However, there are also significant opportunities available to firms wishing to undertake expansion into global markets (Rugimbana and Nkwankwo, ibid:272). The inference is therefore that in order for contractors in the area under study to be globally competitive, they need to embrace cross-cultural approaches as these are likely to give them competitive advantage in trading outside the borders of South Africa.

According to the 2004 CIDB Construction Industry Status Report, global competitiveness is one of the key deliverables of construction industry development agenda. South Africa is a free market economy and therefore every business competes openly for the same market. EBCs must therefore be well trained and skilled in the art of marketing for them to respond in a sustainable manner to the demands of the market-driven economy.

In conclusion, the implication is that any government intervention programme will not be complete if it does not embody marketing as one of its strategic focuses. If not addressed, competitiveness will not be achieved and the likely outcome is dependence by emerging building contractors on government tenders while global competitors could continue to dominate the construction market unchallenged by locals. South Africans should be more innovative and creative and reduce the tendency to 'wait' for tenders. Leading companies in the world tend to have very strong marketing divisions who drive research, product development and distribution logistics and EBCs should emulate them and improve on their strategies and tactics.

2.6 Organisational Development Benchmarking

As defined earlier in this document, particularly with reference to presentation in Figure 2.1, the two key components of organisational development are systems and resources. Systems refer to areas such as legislation, strategy, policies including procedures and documentation, structures, programmes, resource management mechanisms, quality management systems and finally process management systems. Resources are mainly classified in four groups namely: human, financial, information and physical resources (land, buildings and equipment).

In examining organisational development international benchmarking, strong emphasis was placed on practical and functioning package of systems rather than inclination towards theory. Two models were selected which embraced to a very large extent, all the elements of organisational development as outlined in Figure 2.1. These are the business pre-qualification model (accreditation and certification) on the one hand and the franchising model on the other hand. The two models of doing business served more or less as case studies.



2.6.1 Exploring Pre-Qualification Mechanisms

2.6.1.1 Contextualising 'Pre-qualification'

The concept of a 'pre-qualification' as prerequisite for participating in some venture is widely accepted in society. For example, the requirement to obtain a driver's license is a prerequisite for being allowed to drive a vehicle on a public road. Similarly, a relevant bachelor's degree could be a requirement for a management position, just as the training of a soldier in the use of firearms and military discipline, supported by evidence that a trainee has passed a test such as a qualification certificate. This concept could be used successfully in the construction industry to define the minimum requirements for entry of practitioners, be it businesses and/or individuals. Simply put, contractors should be accredited or be required to have a capacity-based 'license to trade'. This would go a long way towards quality assurance which could significantly improve the capacity of EBCs to complete projects successfully and profitably.

To be a world class performer and to have the potential or actual competitive advantage, South African construction businesses should among other approaches, subscribe to international standards that embrace accreditation and certification by independent professional bodies. There is no need to re-invent the wheel but rather to embrace existing tried and tested systems. Three systems are explored namely ISO 9000, service provider accreditation as practiced by South African Qualification Authority (SAQA) and enforced by the SETAs and franchising. The franchising system will be dealt with as a separate main heading.

2.6.1.2 ISO 9000

According to <http://www.iso.org>, ISO 9000 is a family of standards for quality management systems. ISO 9000 is maintained by ISO, the International Organisation for Standardization and is administered by accreditation and certification bodies. Some of the requirements in ISO 9001 (which is one of the standards in the ISO 9000 family) would include:

- a set of procedures that cover all key processes in the business;
- monitoring processes to ensure they are effective;
- keeping adequate records;
- checking output for defects, with appropriate corrective action where necessary;
- regularly reviewing individual processes and the quality system itself for effectiveness; and
- facilitating continual improvement

A company or organisation that has been independently audited and certified to be in conformance with ISO 9001 may publicly state that it is "ISO 9001 certified" or "ISO 9001 registered." Certification to an ISO 9000 standard does not guarantee the compliance (and therefore the quality) of end products and services; rather, it certifies that consistent business processes are being applied. Although the standards originated in manufacturing, they are now employed across a wide range of other types of business organisations (<http://www.iso.org>).

ISO 9001:2000 Quality Management Systems (QMS) include:

- **“ISO 9001:2000 QMS - Requirements** are intended for use in any organisation which designs, develops, manufactures, installs and/or services any product or provides any form of service. It provides a number of requirements which an organisation needs to fulfill if it is to achieve customer satisfaction through consistent products and services which meet customer expectations. It includes a requirement for the continual (i.e. planned) improvement of the Quality Management System, for which ISO 9004:2000 provides many hints (www.iso.org).
- **ISO 9004:2000 QMS - Guidelines for performance improvements** covers continual improvement. This gives advice on what could be done to enhance a mature system. This standard very specifically states that it is not intended as a guide to implementation (<http://www.iso.org>). In order for an EBC to maintain competitive advantage on a sustainable basis like any other business in a market

economy, they need to embrace and subscribe to a structured approach or system. This system offers that opportunity”.

ISO 9000 system can therefore be adapted with appropriate modification and customisation to respond to the South African construction environment to benefit EBCs specifically. The level of rigor with which this is applied could be varied incrementally and upgraded commensurate with the CIDB grades of the contractors. As embodied in this family of systems, ISO 9001:2000 QMS could methodically address outcomes such as customer satisfaction, as well as service and product consistency, while 9004:2000 QMS could deal with the issue of continuous performance improvements to maintain sustainable competitive culture.

2.6.1.3 SAQA System of Service Provider Accreditation

SAQA as the overall authority by law delegates sectoral functions to sector education and training authorities (SETAs), one of them being the Local Government Sector Education and Training Authority (LGSETA).

2.6.1.3.1 Definition of accreditation

LGSETA defines accreditation as the assumption that a provider will be able to comply with the overall prescribed quality management system (QMS) to ensure quality of training and assessment. Minimum business systems, policies, procedures and review mechanisms are checked upfront to ensure that providers have the capacity to deliver and assess training required by LGSETA. In order for the provider to be accredited, both the institutional as well as the training programme criteria for accreditation must be met (LGSETA Guidelines for Accreditation, 4).

2.6.1.3.2 Criteria for accreditation

The LGSETA requires every applicant to measure itself against the following prescribed criteria prior to submission of an application for compliance purposes:

- 1 All training should result in the learners gaining meaningful skills that can be used to their advantage and personal development and which should be part of a defined career path.
- 2 The applicant must be registered in terms of relevant legislation with the Registrar of Companies and South African Revenue Services (SARS) for taxes levies
- 3 The applicant seeking accreditation must have a quality management system which includes but is not limited to:
 - **quality management policies** that guides inputs, processes and outcomes
 - **quality management procedures** to give support to policy implementation
 - **review mechanisms** for change management purposes
- 4 The applicant must demonstrate the subject matter knowledge through the ability to develop, deliver and evaluate learning programmes which culminate in specified registered standards or qualifications or to demonstrate the capacity to outsource such services
- 5 The applicant must demonstrate the necessary financial, administrative and physical resources
- 6 The applicant must demonstrate business systems such as:
 - human resource policies and practices for staff recruitment, selection, appraisal, development including learner entry, guidance and support systems,
 - the management of off-site practical or work site components
 - the management of assessment
 - necessary reporting procedures
- 7 The ability to achieve the desired outcomes, using available resources and procedures to develop, deliver and evaluate learning programmes which culminate in specified registered standards or qualifications (LGSETA Guidelines for Accreditation, 4).

In conclusion, the SAQA system of accreditation and certification as presented above could therefore be adapted and customized for use in the

construction industry to pre-qualify prospective and established contractors. This could enhance the chances of achieving the noble goals and objectives of the CIDB. The broader scheme of things should also take into account the imperatives of the Housing Consumer Protection Measures Act, the implementation of which gave rise to the establishment of the NHBRC. Simply put, the CIDB whose custodian is the Department of Public Works (DPW), should collaborate in this initiative with the NHBRC whose custodian is the Department of Housing. There is a gap that needs to be closed. The two departments are the main regulators of the built environment and jointly disburse arguably the largest public capital investment budgets in the country. In particular, so far this gap suggests that the hypothesis proposed in Chapter 1 could be proved to be correct in respect of the lack of effective deployment of capacity building resources'.

Capacity Building has been defined above and presented comprehensively in a schematic fashion in Figure 2.1. Any system of pre-qualification, accreditation and certification with a good chance of successfully addressing all issues of capacity building should be aligned to the structure as proposed in Figure 2.1 above. The CIDB system of profiling and grading of contractors is inadequate as it does not deal rigorously with all the elements of capacity building as a yard stick for such grading. All that is required is for an aspirant contractor to fill in a form and submit to the CIDB and based on the information contained therein, a contractor is deemed to be of a particular profile and is graded accordingly and then registered.

2.6.2 Exploring the Franchising Model

Franchising is used as a common turn-key business model that allows effective uniformity and standardisation and it is worth exploring for use in empowering EBCs.

2.6.2.1 Franchising

According to <http://en.wikipedia.org/wiki/Franchising>, franchising is a method of doing business wherein a "franchisor" licenses proven methods of doing business to a "franchisee" in exchange for a recurring payment, fees and a percentage of sales or profits. Various tangibles and intangibles such as national or international advertising, training, and other support services are commonly made available by the franchisor and may indeed be required by the franchisor, which generally requires audited books, and may subject the franchisee or the outlet to periodic and surprise spot checks. Quality assurance systems are strictly applied in a franchise and failure by the franchisee to comply with such systems often result in the application of severe sanctions which typically involve non-renewal or cancellation of franchise rights. According to the Financial Times, if sales by US franchise businesses were translated into national product, they would qualify as the 7th largest economy in the world (<http://en.wikipedia.org/wiki/Franchising>). The term "franchising" is used to describe business systems which may or may not fall into the legal definition provided above. The concept can therefore be customized to suit application in the building industry in South Africa to accelerate capacity building of emerging contractors.

A franchise agreement usually specifies the given territory over which the franchisee retains exclusive control, as well as the extent to which the franchisee will be supported by the franchisor (e.g. training and marketing campaigns) (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.2 Advantages of Franchising

Franchising has distinct advantages such as turn-key business solutions, rapid expansion, training and the reduced chance of failure.

2.6.2.2.1 Turnkey Business Solutions

According to <http://en.wikipedia.org/wiki/Franchising>, as practised in retailing, franchising offers franchisees the advantage of starting up a new business

quickly based on a proven trademark and formula of doing business, as opposed to having to build a new business and brand from scratch (often in the face of aggressive competition from franchise operators). A well run franchise would offer a turnkey business from site selection to lease negotiation, training, mentoring and ongoing support as well as statutory requirements and troubleshooting. These advantages are substantially what the EBCs need in order to accelerate easier and more structured entry for EBCs into the market and thereby contribute effectively to ASGISA and JIPSA. In respect of the former, the franchise model offers highly and completely developed aspects of *acceleration*, *sharing* of responsibilities, risk and *growth* in the business *initiative* while in relation to the latter, the model inherently emphasises the *joint* development and deployment of *priority* skills that are focused and *acquired* at the shortest possible time.

2.6.2.2.2 Expansion

After their brand and formula are carefully designed and properly executed, franchisors are able to expand rapidly across countries and continents, and can earn profits commensurate with their contribution to those societies. Additionally, the franchisor may choose to leverage the franchisee to build a distribution network (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.2.3 Training

Franchisors offer franchisees significant training as part of their contractual obligation, which in comparison is not available for to individuals starting their own businesses independently (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.2.4 Reduced Chance of Failure

Opening up a business as a sole trader has just under a 50% chance of failure while opening up a business as a franchise drastically reduces the chances of failure (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.3 Disadvantages

2.6.2.3.1 Control

For franchisees, the main disadvantage of franchising is a loss of flexibility, innovation, creativity and control. While they gain the use of a tried and tested system, trademarks, assistance, training and marketing, the franchisee is required to follow the system and get approval for changes from the franchisor. For these reasons, franchisees and independent entrepreneurs are very different from one another (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.3.2 Price

Price can be high because of standards set by the franchisor and the franchisee often has no choice in items such as signage, shop fitting, uniforms and may not be allowed to source less expensive alternatives and added to that is the franchise fee and ongoing royalties and advertising contributions. The franchisee may also be contractually bound to spend money on upgrading or alterations as demanded by the franchisor from time to time (<http://en.wikipedia.org/wiki/Franchising>).

In response to the soaring popularity of franchising, an increasing number of communities are taking steps to limit these chain businesses and reduce displacement of independent businesses through limits on "formula businesses" (<http://www.newrules.org/retail/formula>).

2.6.2.4 Conflicts

A common source of conflict is the incompetence of either the franchisor or the franchisee which ultimately negatively affects the working relationship.. For example, an incompetent franchisee or one not acting in good faith can easily damage the public's goodwill towards the franchisor's brand by providing inferior goods and services, and an incompetent franchisor can destroy its franchisees by failing to promote the brand properly or by squeezing them too much for profits (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.5 Legal aspects

Franchising is essentially a contract between the franchisor and franchisee and some of the legal and regulatory framework is briefly examined.

2.6.2.5.1 United States of America

In the United States, franchising is regulated through of a number of state and federal laws. The Federal Trade Commission requires franchisors to disclose the franchise details to potential franchisees about their purchase through a standard document called a Uniform Franchise Offering Circular (UFOC). The franchise agreement is a standard part of franchising which is signed by the franchisee and the franchisor and formalises and specifies the terms of the business arrangement, as well as many issues discussed in less detail in the UFOC. Unlike the UFOC, the franchise agreement is a fluid document, crafted to meet the specific needs of the franchise, with each having its own set of standards and requirements (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.6 Conflict Management

Contractual business relationships require carefully conflict management through a mechanism that is quick and affordable. For the franchising concept to work successfully in the South African construction industry environment, strong emphasis must be placed on conflict management rather than merely conflict resolution. 'Management' entails four key functions namely planning, organising, leading and controlling <http://en.wikipedia.org/wiki/Management>. That conflict must be anticipated, planned for and be controlled when it arises. The cost of litigation is very high in both the time and monetary terms and as a result, the majority of franchisors insert mandatory arbitration clauses into their agreements with their franchisees. "Since 1980, the U.S. Supreme Court has dealt with cases involving direct franchisor/franchisee conflicts at least four times, and three of those cases involved a franchisee who was resisting the franchisor's motion to compel arbitration. Two of the latter cases involved large, well-known restaurant chains (Burger King and Subway); the third

involved Southland Corporation, the parent company of 7-Eleven” (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.6.1 Russia

In Russia, under chapter 54 of the Civil Code (passed in 1996), franchise agreements are invalid unless written and registered with the regulatory body, and franchisors cannot set standards or limits on the prices of the franchisee's goods. Enforcement of laws and resolution of contractual disputes is a problem: Dunkin' Donuts chose to terminate its contract with Russian franchisees that were selling vodka and meat patties contrary to their contracts, rather than pursue legal remedies (<http://en.wikipedia.org/wiki/Franchising>).

2.6.2.6.2 United Kingdom

In the United Kingdom, there are no franchise-specific laws; franchises are subject to the same laws that govern other businesses. For example, franchise agreements are produced under regular contract law and have to conform to mainstream legislation (<http://en.wikipedia.org/wiki/Franchising>). Lack of franchise-specific state regulation is to some extent covered by self regulation via the British Franchise Association (BFA). However there are many businesses that conform to the rules of the BFA who are not members and also many businesses that refer to themselves as franchisors that do not conform to these rules. There are several people and organisations in the industry calling for the creation of a framework to help reduce the number of fly-by-night franchises and help the industry clean up its image. There is also a petition on the 10 Downing Street website calling for regulation to help deal with misrepresentation and fraud (<http://www.petitions.pm.gov.uk/franchise-law/>).

2.6.2.7 Social franchises

In recent years, the idea of franchising has been picked up by the social enterprise sector, which hopes to simplify and expedite the process of setting

up new businesses. A number of business ideas, such as soap making, wholefood retailing, aquarium maintenance, and hotel operation, have been identified as suitable for adoption by social firms employing disabled and disadvantaged people. The most successful example is probably the CAP Markets, a steadily growing chain of some 50 neighborhood supermarkets in Germany (<http://en.wikipedia.org/wiki/Franchising>).

2.7 Assessment of State Interventions to Address the Needs of Emerging Building Contractors

In terms of the Constitution of the Republic of South Africa Act 106 of 1996 South Africa is a Developmental State and therefore this creates an expectation that the government should establish and maintain some intervention mechanism to develop every industrial sector, including the construction sector in general and the emerging contractors in particular, hence this assessment.

2.7.1 Government's Development Agenda

The key question is whether South African government has intervention mechanisms in place to address the capacity building needs of emerging building contractors and if affirmative, whether these are adequate and effective in the area of the study. Mechanisms would include but not limited to legislation, strategies, policies and procedures, structures, programmes, resources and outcomes management systems. South Africa's development agenda is broadly defined in the Reconstruction and Development Programme (RDP). The RDP is the overarching policy whose purpose is to give general direction to all other development programmes in the post-apartheid era. The key objectives of the RDP have been stated earlier in the document but for ease of reference they are repeated below:

- Meeting basic needs
- Building the economy
- Democratising the State and society
- Developing human resources

- Nation building

In fact, two key questions were asked at the 2004 Construction Summit policy review and these are:

1. Are the principal objectives of construction industry development being achieved, and are they the right objectives?
2. Is the performance of key delivery sectors and that of the broad policy environment supportive of construction industry development? (CIDB, 2004:5).

2.7.2 Definition of Development

In examining the nature and adequacy of state intervention in the development of EBCs, it is important to look at the definition within the industry context. According to the construction Industry Development Board (CIDB) in South Africa, 'construction industry development' is the deliberate and managed process to optimize the contribution of the construction industry in meeting national construction demand, in promoting national social and economic development objectives, industry performance and competitiveness, and improved value to clients and society (CIDB, 2004:5). The South African government has committed itself through a variety of programmes including the CIDB, to develop the industry in line with the basic principles of the RDP. It is clear from the above definition that this state intervention must deliver growing, better performing and competitive EBCs as key outcomes of its efforts. CIDB is an institution of the Department of Public Works and other departments' development programmes should also be utilised.

The Department of Developmental Local Government and Housing has the highest capital budget in the North West Province. The current Minister of Housing, Lindiwe Sisulu, directs through the revised policy that capacity building is critical to the success of the new housing plan and there is also a need to develop a comprehensive programme for capacity building in the

housing sector as a whole (Comprehensive Human Settlement Plan, 2004, Department of Housing, P23). This policy statement indicates that any examination of capacity building of contractors cannot be done in isolation but should take into account the business contractual relationship with key stakeholders such as municipalities, NHBRC, the home owner, the bond financier and material suppliers, including the building industry professionals such as architects, project managers, quantity surveyors and engineers.

The principal goals of industry development are:

- To ensure a total capability in South Africa to meet the built environment needs for development of a whole society.
- To ensure that the construction industry in its broadest definition offers access into the mainstream economy for those sectors of society disadvantaged by the policies of apartheid and the forces of colonialism.
- To ensure a competitive construction industry that meets global standards of performance in terms of quality, productivity, safety, health and the environment (CIDB, 2004:8).

The key deliverables are capability, access and global competitiveness.

Industry development therefore addresses the performance of all who impact on the efficiency and effectiveness of the delivery process and on the behaviour of the industry. In this context, clients and their procurement practices are particularly central in global initiatives to promote improved industry performance and value (CIDB, 2004:7). Behaviour and practices are important in the definition of capacity building as related to attributes or attitudes that are a key component of 'competence'. Myrdal (1968:186) as quoted by Martinussen (1997:225) categorises non-economic conditions under three headings: attitude towards work, institutions, and policies. By attitude towards work, Myrdal refers primarily to attitudes which in one way or another obstructed economic growth and development. He includes in this category, amongst others, low levels of work discipline, punctuality, orderliness and contempt for manual work

The White Paper on the Construction Industry Development (1999) identifies four cornerstones namely:

- **Growth** - an enabling strategy aimed at sustainable growth, stability and employment;
- **Delivery** - enhanced delivery (product and service);
- **Performance** - improved industry performance and competitiveness; and
- **Empowerment** - value for money and empowerment (CIDB 2004,9)

In assessing the adequacy and effectiveness of the state intervention mechanisms therefore, the criterion is whether or not the outcome of these efforts is growth, service delivery, improved performance and empowerment of EBCs.

2.7.3 Adequacy and Effectiveness of State Intervention in the Development of EBCs

2.7.3.1 Legislation and Institutional Arrangements

Since 1994 over 789 laws or Amendment Acts have overhauled the entire legislative framework in alignment with the new constitution, and in support of the country's development ethos. Over 30 laws have direct bearing on the construction industry and its development. Following a process of broad stakeholder engagement which gave rise to the White Paper on Construction Industry Development (1999) and specific legislation subsequently established strategic institutions (CIDB, 2004:8). For the purpose of this study only selected ones are presented namely the Construction Industry Development Board (CIDB), the Construction Education and Training Authority (CETA) and the Council for the Built Environment (CBE) and these are explained in the following discussion.

- "Construction Industry Development Board (CIDB), 2001 was established to provide the necessary leadership for an enabling regulatory and development framework that enhances the role of



stakeholders in industry growth, delivery, performance and transformation”.

- “Construction Education and Training Authority (CETA), 2000 was established to give effect to skills development that is accessible, equitable and promotes the sustainable formation of the industry’s skills base. The skills framework includes the levying of one percent of payroll through the Skills Development Levies Act, 1999”.
- “Council for the Built Environment (CBE), (2001) was established to promote greater coordination, development of the professions and their enhanced contribution to national development. Six councils regulating the built environment professions such as civil engineering, architecture, quantity surveying etc fall under this overarching council”.

In addition, there are generic pieces of legislation that have a direct bearing on the construction industry development and only three are presented namely the Employment Equity Act (1998), the Preferential Procurement Policy Framework Act (2000) and the Broad-based Black Economic Empowerment Act (2004) and these are explained in the following discussion.

- “The Employment Equity Act, 1998 was promulgated to achieve equity in the workplace through equal opportunity, fair treatment and the elimination of unfair discrimination, and through affirmative action to redress the employment disadvantages of designated groups such as the black African people in general, as well as the women and people with disabilities in particular”.
- “The Preferential Procurement Policy Framework Act, 2000 which provides for the creation of categories of preference in the award of contracts to promote development objectives including the advancement of enterprises owned, managed and controlled by historically disadvantaged South Africans”.

- “The Broad-based Black Economic Empowerment Act, 2004 which establishes a legislative framework for the promotion of black economic empowerment and empowers the Minister of Trade and Industry to publish transformation charters and issue codes of good practice relating to procurement criteria, indicators, weightings and guidelines”.

2.7.3.2 The Construction Industry Development Board (CIDB)

The major focus of this study was capacity building or capacity development, and particularly the discussion of only one of the three institutions namely the CIDB. The CIDB aims for a regulatory and development framework that builds:

- The total construction delivery capability for South Africa's economic and social growth; and
- A proudly South African construction industry that delivers to globally competitive standards (CIDB, 2004:1).

Furthermore, the CIDB is equipped with statutory instruments to promote the objectives of the development of the industry, including:

- A code of conduct for all participants in the construction procurement process.
- The registration of construction projects, contractors and other suppliers (CIDB, *ibid*).

Through these instruments, CIDB drives a risk management process for clients and contractors that regulate the construction industry around a common development agenda underpinned by best practice procurement and project processes. Risk management extends beyond securing financial objectives. It goes to the core of sustainable black economic empowerment and inclusive development goals for improved performance and delivery (CIDB, *ibid*).

2.7.3.3 The role of government in contractor development

The built environment is the reflection of a nation's developmental progress as well as the physical foundation for economic and social advance into the future. It is the construction industry that creates and maintains this foundation in a process that must deliver value to clients and society (CIDB, *ibid*). In most developing countries, the broad strategic aim of the construction industry development is the creation of an enabling environment, in which sustainable domestic capacity is expanded to meet demand, to promote national economic and social objectives, improved efficiency, competitiveness and value to clients and society (CIDB, *ibid*). The establishment of the CIDB is testimony to government's developmental role in the building industry. The questions that arise are:

- To what extent is the public sector in South Africa playing a role within the built environment?
- What opportunities does this role offer for the development of EBCs?
- What efforts of CIDB as an intervention mechanism are adequately directed towards benefiting the EBCs specifically, and whether these are effective in the area under study?

2.7.3.4 The Centrality of Infrastructure and Service Delivery

"The need for sustained growth of the construction industry is given impetus by government's commitment to infrastructure investment to achieve economic growth and to address the infrastructure backlog emanating from apartheid. Currently, the activity of the industry is reaching into every South African community, facilitating the objectives of potable water, sewerage disposal, electrification, health, education, housing and productive employment. The performance and capability of the industry is pivotal to transport and communication, import and export, industrial development, and to all the logistics of a growing economy that increasingly supports an integrated and economically active population" (CIDB, *ibid*).

2.7.3.5 Opportunities for EBC for government contract work

The government of South Africa is highly committed to the notion of black economic empowerment specifically aimed at EBCs. Beyond reforms, financial resources are being allocated and in this regard the Minister of Finance is quoted as having said:

“We recognise that the pace of economic growth has to be accelerated. Investment in industry and infrastructure and an expansion of job opportunities are critical challenges for the decade ahead – both to underpin growth and expand room for broad-based empowerment” Finance Minister, T Manuel – Budget Speech 2004 (CIDB, *ibid*).

There is evidence of a comprehensive and concerted approach by the South African Government to support the development of the construction industry from the statement by the Finance Minister Manuel. First, by virtue of the statement being made by the Finance Minister it implies that the implication for all the key elements of the speech is the recognition that such elements need the allocation of financial resources. Second, the one element refers to the acceleration of economic growth for which the mechanism is the Growth, Employment and Redistribution policy (GEAR) which is the country's macro-economic policy, as well as the Accelerated Shared Growth Initiative of South Africa (ASGISA). Third, the next element is the investment in infrastructure and the commitment to this is evident in the discussion about the 'Centrality of Infrastructure and Service Delivery' as discussed before as part of the CIDB focus area, Fourth, job creation is also given priority as a key component of the GEAR policy (employment) as well as being the primary goal of the Extended Public Works Programme (EPWP), which is the flagship programme of the South African government for job creation by the Department of Public Works, which is the custodian for the construction industry. The existence of the CIDB itself is evidence of strong industry development orientation through institutional mechanisms. Last, the Minister's statement refers to the broad based empowerment the mechanism of which has been discussed before under paragraph 2.7.3.1. The Minister stated that:

“Construction accounts for about 10 percent of the world economy. Approximately 70% of construction investment is accounted for in the USA, Western Europe and Japan. The continent of Africa accounts for about one percent. Per capita investment in construction in the developed world is approximately \$2 500 per annum compared to \$46 per annum in Africa. About 91% of the roads in high-income countries are paved, as against about 16 percent in sub-Saharan Africa. In terms of both public and private sector investment has continued to be unpredictable and under-spending against budget by general government on infrastructure remains a problem. Current activity in the building industry amounts to some R24.9 billion per annum (constant 2000 prices), and is expected to grow to between R32bn and R35bn by 2010. Investment in building activity is not expected to reach the peak levels last seen in 1984 before 2010. Similarly, the current activity in engineering works is some R20.5bn and this is expected to grow to about R30bn by 2010. Again, it is evident that the peak investment levels of over R40bn achieved in the early 1980s will not be realized before 2010” (CIDB, *ibid*:4).



In South Africa, huge amounts of monies will be spent and taking into account the 6% economic growth in 2006, the projected figures will be even higher in 2010. Government is under pressure to reduce or eliminate under-spending and the implication for EBCs is that if they are not ready to be contracted due to lack of capacity, they will loose out. Lost opportunity means that the objectives of their growth, performance, delivery and competitiveness will not be achieved. In the North West Province, the departments that play the most prominent role in the built environment are the Department of Public Works (NW DPW) and Department of Developmental Local Government and Housing (NW DDLG&H). Table 2 below reflects the quantum of capital infrastructure programme allocation by these two key departments from which EBCs should get a fair share.

Table 2.2

Department	Programme	2007/8	2008/9	2009/10
NW DPW	Public Works Progr.	R150,000,000	R180,000,000	R 210,000,000
NW DDLG&H	Municipal Infrastructure Grant	R677,000,000	R720,000,000	R 763,000,000
NW DDLG&H	Housing	R680,000,000	R750,000,000	R 820,000,000
TOTAL		R1,657,000,000	R1,800,000,000	R1,943,000,000

Source: (NW Department of Finance Budget Book)

According to the 2004 CIDB Construction Industry Status Report, 'the public sector accounts for between 30 and 40 percent of capital construction expenditure and is a major industry client' (CIDB, 2004:10). It therefore follows that if the above figures account for an estimated 40%, there is 60% elsewhere in the private sector to be tapped into.

'In parallel with policy and institutional reform, a range of early practical initiatives was introduced by government to direct the process of change. These included the implementation of preferential procurement to stimulate access to the market by historically disadvantaged enterprises, and measures to address supply-side constraints such as access to entrepreneurial training, finance and credit. Developed and introduced by the Department of Public Works (DPW) in 1996, preferential procurement was pioneered in the construction industry and informed the Preferential Procurement Policy Framework Act (PPPFA), now applicable to all public sector procurement' (CIDB, 2004:9). Emerging contractors should be trained in estimating and tendering in order to take full advantage of these preferential procurement opportunities. In addition, knowledge of PPPFA will empower EBCs to seek redress and legal recourse where maladministration is identified.

2.8 Conclusion

Capacity building is defined as guided by literature review, academic input and international best practice. It has also been established from authoritative government literature, particularly strategic, legislative and policy documents that contractors play a central role in the provision of infrastructure within the

built environment. Furthermore, it has also been established that the built environment, of which the construction industry is critical, plays a pivotal role in economic growth and social development. From the case studies it is evident that the common causes of failures of emerging building contractors are almost all the time attributable to lack of capacity, wholly or partially.

In order to address common failures in the industry, and to achieve growth, performance and global competitiveness, internationally established benchmarks of skills and organisational development should be used in planning intervention programmes. Without necessarily placing artificial barriers that prevent new entrants into the market, it may be desirable to adapt some mechanisms that embody accreditation or certification, to regulate minimum standards and to promote good performance through credible quality management systems. Franchising, although not well established in this industry, could well be a model suitable for accelerating development of emerging building contractors if properly facilitated and supported.

South Africa has demonstrated proven support to the broad development of the construction industry through legislation, policies, strategies and allocation of resources including a plethora of state-owned enterprises. The establishment of the CIDB as the development arm of government is evidence of the serious role that the South African government is playing as a developmental state. However, some of these efforts by government have not yielded positive results nor have they made any significant impact on the lives of ordinary emerging contractors in the area under study. The question is: "Why do government development programmes or initiatives appear so ineffective in the area under study?" The answers can be found through a survey of the key industry role players, particularly the emerging building contractors themselves, through a questionnaire and/or structured interviews.

CHAPTER THREE : RESEARCH DESIGN

3.1 Introduction

This chapter is a more detailed elaboration of the overview that was given in chapter one. First, it gives a brief overview of the general methodological orientation. Second, data collection methods are briefly described together with the research parameters that gave perspective of the limitations of the study results. Third, a description is given of the sampling design and the size of the sample in relation to the entire population of the units of analysis. This chapter also presents the rationale for sampling as opposed to studying the entire population. Fifth, the form and content of the data collection instrument is dealt with, in relation to the problem statement and specific objectives. The chapter goes further to deal with the procedure for data collection and lastly, the analysis of the data collected.

3.2 General methodological orientation

Research is not only the process of gathering information, as is sometimes suggested but rather, it is about answering unanswered questions or creating that which does not exist. In many ways research can be seen as a process of expanding the boundaries of our ignorance (Goddard and Melville, 2001: 1). Although the quantitative statistical method of research was the main approach in this study, some degree of evaluation research methods was used to find answers to the research questions. Municipal officials, independent project managers and financial institutions credit managers and officials of the NHBRC and NURCHA were also interviewed to get a broader perspective regarding the failures of emerging building contractors.

3.3 Data Collection method

A survey was used as the appropriate method of data collection because of certain inherent characteristics. Descombe (2003:8) identifies three key characteristics of a survey namely:

- **Wide and inclusive coverage.** A survey embodies a notion of wide coverage of the research population. Inherent in a survey is the ability to reach respondents on a wide scale that has the potential to be as inclusive as is practically and economically possible. This attribute was very appropriate for the study in question.
- **At a specific point in time.** The collection of data through surveys normally relate to a specific period. Surveys are meant to reflect a situational analysis that is not everlasting but could change when variables change. This method was therefore deemed to be suitable to the study in question as the research questions and specific objectives of the study only apply to a particular period.
- **Empirical research.** Inherent in a survey approach is a tradition that tends to emphasize the detailed measurement and recording of tangible things. The outcome of the survey usually involves empirical evidence and this made it a very appropriate method of research.

3.4 Research parameters

The study was limited to the area of City of Matlosana municipality and the units of analysis were emerging building contractors. The emerging building contractors are defined as those whose turnover is generally less than five million rand per annum. However, every attempt was made to be as scientific as possible to enable the research results to be applicable with a fair amount of credibility and validity to areas outside the research parameters with minimal adjustments.

3.5 Sampling design

Due to limited time and resources and for the purpose of certainty and planning, it was not possible to reach the entire research population and therefore sampling was a logical thing to do. This study is essentially a social research and in accordance with Descombe (2003:11) who argues that social researchers are frequently faced with the fact that they cannot collect data from everyone who is in the category being researched. As a result, they rely on getting evidence from a portion of the whole in the expectation and hope that what is found in that portion applies equally to the rest of the research population, subject to careful sample design, size and selection.

This being a small-scale research, the sample size was limited to 118 respondents, which the researcher deemed a fair proportion of the estimated population size of 650 contractors. An effort was made to make sure that the sample size was of such a quantum that it did not adversely compromise statistical methods of analysis nor invalidate the results thereof. Descombe (Ibid) discusses four points that need to be taken into account to preserve the credibility of a smaller sample. These are:

- “Extra attention needs to be paid to the issue of how representative the sample is and special caution is needed about the extent to which generalizations can be made on the basis of the research findings. Provided that the limitations are acknowledged and taken into account, the limited size of the sample need not invalidate the findings”.
- “The smaller the sample, the simpler the analysis should be, in the sense that the data should be subjected to fewer subdivisions. Keeping the analysis down to four factors, for instance, greatly increases the prospect of having a reasonable number of cases in each category”.
- “Samples should not involve fewer than 30 people or events. Certainly, it is a mistake to use statistical analyses on samples of fewer than 30 without exceptional care about the procedures involved”.

- “In the case of qualitative research there is a different logic for the size of the sample and the selection of cases to be included. A small sample size is quite in keeping with the nature of qualitative data”.

In designing the sample, the researcher took into account all the factors cited by Descombe (Ibid).

3.6 Data Collection Instrument

As stated in Chapter One, the data collection approach was threefold namely:

- Surveys, using the questionnaire;
- Evaluation of existing reports; and
- Structured interviews

The questionnaire was the main instrument of data collection in this study. According to Descombe (Ibid), to qualify as a research questionnaire, this instrument should have the following characteristics:

- “Be designed to collect information which can be used subsequently as data for analysis, i.e the purpose is to discover things and not to influence respondents’ attitude”;
- “Consist of a list of questions such that all the respondents read identical questions for purposes of consistency”; and
- “Gather information by asking people directly about the points concerned with the research”.

Cognisance was taken of these factors in the design of the questionnaire.

The second important issue is to ensure that the questionnaire is relevant to the problem statement, reliable and valid. Descombe (Ibid) argues that a good level of reliability means that the research instrument produces the same data time after time on each occasion that it is used, and that variation in the

results obtained through using the instrument is due entirely to variations in the thing being measured. A reliable instrument gives consistent results.

In terms of research data, the notion of validity hinges around whether or not the data reflects the truth, reflects the reality and covers crucial matters. The instrument must measure the right variables, using the right methods (Descombe, Ibid). In order for the questionnaire to be relevant and valid, it was designed to be aligned to the specific objectives as stated in the problem statement namely:

- To examine key and common failures of emerging building contractors;
- To benchmark industry competence and organisational development of emerging building contractors; and
- To determine the training needs of emerging building contractors; and
- To explore and/or examine pre-qualification mechanisms

3.6.1 The structure or organisation of the questionnaire

The questionnaire was divided into seven sections and is designed in such a way that it answers key questions in the problem statement. These sections are the following:

- Section 1 - Personal Details
- Section 2 - Common Failures of Contractors
- Section 3 - Competence/Skill Development
- Section 4 - Business Organisational Development
- Section 5 - Government Intervention (State-owned enterprises)
- Section 6 - External Business Environment
- Section 7 - Five Most Important Suggestions for Government Intervention to be Effective

The complete questionnaire is attached as **Annexure A**

3.7 Procedure for data collection

The data collection was done in two phases namely the pilot phase and the final phase. The purpose of the pilot phase was twofold. First, to test the effectiveness and efficiency of the questionnaire and second, to test the effectiveness and efficiency of the two alternative methods namely:

- The distribution of questionnaire to respondents, allowing them to complete it in their own time and collecting it later; and
- The utilization of trained interviewers or data collectors who would read questions to each of the respondents individually, clarify uncertainties and fill the questionnaires on behalf of the latter, i.e the face-to-face interviews.

3.7.1 The questionnaire distribution method.

In testing this method, the advantages and disadvantages were compared the results were as follows:

Advantages

- More cost effective
- Likely to give wider coverage
- Non-intrusive in nature

Disadvantages

- Much lower response rate
- Questionnaires take longer to fill
- Collection is erratic
- No opportunity to clarify questions
- Language barriers more pronounced
- Intrusive in nature
- May be filled in contemptuously
- No personal contact
- No prior notification

3.7.2 The face-to-face interviewer method

Similarly, this method was tested and the advantages and disadvantages were found to be as follows:

Advantages

- Prior notification possible
- There is a human face to the survey
- Language barrier easily overcome
- 100% collection guaranteed
- Response rate very high
- Interviewer able to clarify questions
- Stratification easily managed
- Immediate collection of data

Disadvantages

- The respondent may be unduly influenced
- The respondent's privacy may be invaded
- More expensive to conduct
- Coverage is less wider

Having compared the two options above, the desk study indicated that the face-to-face interview approach was better and the researcher therefore opted for this method. On the basis of advice from fellow researchers, it was decided that a pilot study be conducted first to verify the theoretical findings and this was duly done.

3.7.3 Results of the pilot study

The pilot questionnaire was distributed using the two methods mentioned under sub-heading 1.9.2.2.2 above and the results were as follows:

3.7.3.1 The self-administered questionnaire approach

Based on the actual field work experience the following advantages and disadvantages were observed and noted:

Advantages

- Distribution was quick and easy
- Only one person was adequate
- The distribution was cost effective
- No training was necessary
- The method was less intrusive

Disadvantages

- Respondents responded too slow
- Collection was too slow and took three months
- Collection was very expensive
- Questionnaires were not completed properly
- Explanation could not be given

3.7.3.2 The self-administered questionnaires for field workers approach

The actual field work experience resulted in the following advantages and disadvantages being observed and noted:

Advantages

- All questionnaires were completed
- Explanation and context was easy to give to respondents
- Once appointments were honoured, data collection was certain, in fact success rate was 100%
- Data collected was accurate

- Additional information collected was very useful in improving the original questionnaire

Disadvantages

- Recruitment of field workers needed more time and attention
- Field workers had to be familiar with the industry
- Prior training of field workers was required
- Prior appointments had to be made with the respondents
- Many respondents failed to honour appointments
- Interviews were slow as each respondent took at least two hours
- Many respondents diverted to talk about private personal matters

3.7.3.3 Resolution

The field workers resolved that the better method to use was the one that combined the good elements of the two options such that the advantages were optimised and the disadvantages were minimised. The field workers made recommendations to the researcher on how to improve the main survey.

3.7.3.4 Recommendations of the pilot study

Field workers recommended that:

- The questionnaire be refined to take into account the inputs of the respondents;
- For the main survey, a workshop be organized where the introduction, explanation and context would be given to respondents at the same time wherein questions of clarity would be replied to before the questionnaires are completed. In terms of this recommendation, the data would be collected in one day;
- Alternatively, a workshop of emerging contractors organized by government or any of the state-owned enterprises could be targeted for

this purpose, subject to negotiation and approval, provided that those attending fit the profile of the targeted respondents.

3.7.3.5 Adoption of the pilot study recommendations

- The recommendation to refine the questionnaire was adopted and the final product was used for this study; and
- The latter version of the recommendations in respect of the workshop approach was adopted and the workshop organized by the municipality was used effectively and successfully, with no financial implications.

3.8 Data analysis

Analysis means separating something into its component parts and involves probing beneath the surface appearance of something to discover such component elements which have come together to produce it (Descombe, 2003:299)

3.9 Conclusion

Theory and practice are often very different. The desk study indicated that the face to face method was the best option but in contrast, the pilot survey indicated otherwise, particularly in respect of the emerging contractors themselves who were the main respondents. Within the context of this particular study, and taking into account the pilot survey, no one method was best suited for all circumstances. The questionnaire method was found to be more suited to collect data from the contractors while the face to face interview method was more suited to government officials, project managers and officials in financial institutions.

CHAPTER 4 : ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the orientation that incorporates the organisation of the chapter, together with the categorization of the data. Empirical data obtained from the survey are presented in tables and this presentation incorporates brief contextualisation and comments on causal connections and/or similarities. After presentation of each table, respective deductions and inferences are drawn from the data and this is finally followed by a conclusion.

4.2 Organisation and categorisation

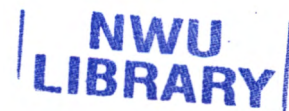
The analysis in this chapter is organized in such a manner that it is aligned to the structure and organisation of the questionnaire. By and large, each question is analysed separately with its own table but where appropriate, one table is often used to analyse two or more questions and to present the result thereof. Where appropriate and applicable, data collected is categorized further into for example male and female categories as well as in some instances the CIDB grading of contractors. In instances where a group of questions were analysed in one table, a brief explanation is given below separately with relevant interpretation and contextualisation. In analyzing the data, in some instances only items of significance were contextualised.

4.3 Presentation and contextualisation of results in tables and/or graphs

4.3.1 Section 1 - Personal Details

4.3.1.1 Age

(See paragraph 4.3.1.2 below for an integrated age and gender presentation of results.)



Gender

Table 4.1

Age Group	Male		Female		No of Respondents	
	No	%	No	%	No	%
18 to 25	4	3%	1	1%	5	4.2%
26 to 30	10	8%	3	3%	13	11.0%
31 to 40	40	34%	5	4%	45	38.1%
41 to 50	30	25%	6	5%	36	30.5%
51 plus	16	14%	3	3%	19	16.1%
Total	100		18		118	100.0%
Aggregate		85%		15%		100%

The least respondents were from the age group 18 - 25 at the rate of 4.2%, and here there was only 1% female respondent and 3% males. Similarly, the 26 – 30 age group had only 11% of respondents, 3% being females and 8% being males. This suggested poor interest by the youth and the females in the above two groups; though to a greater extent in the latter group. The age group 31 – 40 accounted for 38.1%; 4% being females and 34% being males while the age group 41 – 50 accounted for 30.5%; 5% being females and 25% being males. These two groups jointly accounted for 69%, which suggested that majority of emerging contractors tended to be more matured people in their middle adulthood. The last age group had 16.1% respondents 3% being females and 14% being males.

On aggregate, of the total number of 118 respondents, 18 were females amounting to 15% while 100 were males amounting to 85%. This indicated that there were very few women participating in this industry and therefore the response should be that government empowerment programmes should be more focused on creating the environment that would ease barriers to entry for women contractors. In order to achieve gender equity the government should develop special capacity building programmes in line with Figure 2.1 guidelines, to accelerate the empowerment of women contractors.

4.3.1.3 Experience

Table 4.2

Experience in years	Male	Female	No of Respondents	Percentage
0 to 2	23	9	32	27.1%
3 to 5	19	5	24	20.3%
6 to 10	32	4	36	30.5%
11 to 15	14	0	14	11.9%
16 plus	12	0	12	10.2%
Total	100	18	118	100.0%

Of the total respondents, 27.1% had less than 2 years experience as contractors while 20.3%, 30.5%, 11.9% and 10.2% had 3 to 5, 6 to 10, 11 to 15 and finally, more than 15 years experience respectively. The sample profile indicates that for both the males and females, there were more respondents in the lesser experienced categories and the proportion tended to decrease as the number of years increased. There was an inverse relationship between the quantum of respondents and the experience in years. In the case of women, this relationship was more clear cut and this suggested that women had only just relatively recently entered the construction industry business as contractors. The facts suggested that this coincided with the advent of the new democratic government in South Africa. It could be the effect of new policies that promoted women empowerment in particular. However, women being only 15% of the total sample, there was still a long way towards achieving the equitable demographic proportion of about 52%. The deduction is that woman empowerment initiatives had not been adequately effective.

4.3.1.4 Registration with Construction Industry Development Board (CIDB)

Table 4.3

Gender	Registered		Not registered		Total	
	No	%	No	%	No	%
Male	80	80.0%	20	20.0%	100	84.7%
Female	15	83.3%	3	16.7%	18	15.3%
Total	95		23		118	100.0%
Aggregate		81%		19%		

Out of a total of 118 respondents, 95 were registered while 23 were not, these being 80% and 20% respectively. Of the males that responded, 80% were registered while in the case of women 83.3% were registered. As the CIDB registration is a prerequisite for eligibility to tender for construction work in the public sector, this meant that the unregistered 20% and 16.7% male and female contractors respectively, were excluded from the government construction opportunities.

4.3.1.5 Registration with National Home Builders Registration Council (NHBRC)

Table 4.4

Gender	Registered		Not registered		Total	
	No	%	No	%	No	%
Male	46	46.0%	54	54.0%	100	84.7%
Female	8	44.4%	10	55.6%	18	15.3%
Total	54		64		118	100.0%
Aggregate		46%		54%		

From the total of 118 respondents, 54 were registered while 64 were not, these being 46% and 54% respectively. Of the males that responded, 46% were registered while in the case of women 44.4% were registered. As the NHBRC registration is a prerequisite for eligibility to a contractor building any house in South Africa in terms of the Housing Consumer Protection Measures Act, this meant that the unregistered 54% and 55.6% male and female contractors respectively, were excluded from the entire residential property construction opportunities.

4.3.2 Section 2 - Common Failures of Contractors

4.3.2.1 Extent of failed projects

Table 4.5

Category - CIDB Grade	No of Respondents	Yes	Failures		Total collapse	
			No	%	No	%
Grade 1	72	65	7	90.3%	12	18.5%
Grade 2	27	24	3	88.9%	4	16.7%
Grade 3	16	14	2	87.5%	2	14.3%
Grade 4	2	2	0	100.0%	0	0.0%
Grade 5	1	1	0	100.0%	0	0.0%
Grade 6	0	0	0	0.0%	0	0.0%
Grade 7	0	0	0	0.0%	0	0.0%
Grade 8	0	0	0	0.0%	0	0.0%
Total	118	106	12	89.8%	18	
Aggregate		90%	10%		17%	

All 118 respondents responded to this particular question and on aggregate, 90% said that their projects had failed in the last five years, the nature of which is dealt with in paragraph 4.3.2.2 below. This percentage represented a total of 106 failures and of these, a total of 18 (or 17%) were cases where projects collapsed completely and contracts had to be cancelled. Further analysis indicated that the rate of general failure in respect of contractors with the CIDB Grades 1, 2, and 3 were 90.3%, 88.9% and 87.5% as compared to the 18.5%, 16.7% and 14.3% for cases of contract cancellations respectively. The latter rate of failure is much more serious and it had to be arrested through capacity building efforts on an urgent basis.

4.3.2.2 Nature and profile of project failures

Table 4.6

Type of failure	Number	Percentage
Time	106	90%
Cost	95	81%
Quality	80	68%
All three elements	72	61%

Of the 118 respondents, 106 at the rate of 90% were failures to complete the projects on time while 95 at the rate of 81% were related to failure to complete the projects within the budget. In terms of quality of the product, a total of 80

failed to meet the specifications and this represents 68%. These contractors failed in all three elements combined in the order of 72 out of 118 or 61%.

4.3.2.3 Causes of failure

Table 4.7

Key performance area	Non-existent		Poor		Inadequate		Misused	
	No	%	No	%	No	%	No	%
Business planning	70	64%	25	23%	9	8%	6	5%
Project planning	34	31%	36	33%	30	27%	10	9%
Cash flow management	62	56%	33	30%	15	14%	0	0%
Business management	10	9%	64	58%	27	25%	9	8%
Project management	40	36%	35	32%	27	25%	8	7%
Site supervision	27	25%	51	46%	25	23%	7	6%
Business systems	12	11%	69	63%	19	17%	10	9%
Access to bridging finance	50	45%	35	32%	18	16%	7	6%
Access to material supplier credit	33	30%	36	33%	26	24%	15	14%
Paying employees on time	50	45%	32	29%	18	16%	10	9%
Payment by government on time	39	35%	36	33%	35	32%	0	0%
Quality of estimating and tendering	44	40%	34	31%	22	20%	10	9%
Quality of workmanship	28	25%	52	47%	30	27%	0	0%
Skills of artisans	32	29%	49	45%	29	26%	0	0%
Experience of contractors	40	36%	35	32%	35	32%	0	0%

Of the 106 project failures recorded, the following were given as causes of failure:

- *Business planning* was none-existent to the extent of 64%, 23% said that it was poor while 8% said it was inadequate and 5% indicated that it was misused or maladministered.
- *Project planning* was none-existent to the extent of 31%, 33% said that it was poor while 27% said it was inadequate and 9% indicated that it was misused or maladministered.
- *Cashflow management* was none-existent to the extent of 56%, 30% said that it was poor while 14% said it was inadequate and 0% indicated that it was misused or maladministered.
- *Business management* was none-existent to the extent of 9%, 58% said that it was poor while 25% said it was inadequate and 8% indicated that it was misused or maladministered.

- *Project management* was none-existent to the extent of 36%, 32% said that it was poor while 25% said it was inadequate and 7% indicated that it was misused or maladministered.
- *Site supervision* was none-existent to the extent of 25%, 46% said that it was poor while 23% said it was inadequate and 6% indicated that it was misused or maladministered.
- *Business systems* was none-existent to the extent of 11%, 63% said that it was poor while 17% said it was inadequate and 9% indicated that it was misused or maladministered.
- *Access to bridging finance* was none-existent to the extent of 45%, 32% said that it was poor while 16% said it was inadequate and 6% indicated that it was misused or maladministered.
- *Access to material supplier credit* was none-existent to the extent of 30%, 33% said that it was poor while 24% said it was inadequate and 14% indicated that it was misused or maladministered.
- *Paying employees on time* was none-existent to the extent of 45%, 29% said that it was poor while 16% said it was inadequate and 9% indicated that it was misused or maladministered.
- *Paying by government on time* was none-existent to the extent of 35%, 33% said that it was poor while 32% said it was inadequate and 0% indicated that it was misused or maladministered.
- *Quality of estimating and tendering* was none-existent to the extent of 40%, 31% said that it was poor while 20% said it was inadequate and 9% indicated that it was misused or maladministered.
- *Quality of workmanship* was none-existent to the extent of 25%, 47% said that it was poor while 27% said it was inadequate and 0% indicated that it was misused or maladministered.
- *Skills of artisans* was none-existent to the extent of 29%, 45% said that it was poor while 26% said it was inadequate and 0% indicated that it was misused or maladministered.
- *Experience of contractors* was none-existent to the extent of 36%, 32% said that it was poor while 32% said it was inadequate and 0% indicated that it was misused or maladministered.

All the stated causes of failure of projects confirm an acute lack of capacity of emerging contractors in the internal business environment relating to areas of skills, business systems, management systems, technical ability and experience. Areas relating to the external environment include late payment by government departments as well as poor access to both bridging finance and material supplier credit.

4.3.3 Section 3 - Competence/Skill Development

Question: What level of knowledge and skills have you acquired in the following areas?

Table 4.8

Critical Skills Area	None		Certificate		National Certificate		National Diploma		Degree or above	
	No	%	No	%	No	%	No	%	No	%
3.1 Basic education	5	4%	33	32%	32	31%	35	21%	13	11%
3.2 Entrepreneurship	82	69%	28	24%	8	7%	0	0%	0	0%
3.3 Estimating and tendering	106	90%	7	6%	3	3%	2	1%	0	0%
3.4 Strategic management	108	92%	10	8%	0	0%	0	0%	0	0%
3.5 Risk management	87	74%	17	14%	8	7%	6	5%	0	0%
3.6 Business management	56	47%	37	31%	16	14%	9	8%	0	0%
3.7 Financial management	52	44%	42	36%	17	14%	7	6%	0	0%
3.8 Construction technology	48	41%	43	36%	19	16%	8	7%	0	0%
3.9 Construction supervision	44	37%	49	42%	16	14%	9	8%	0	0%
3.10 Project management	35	30%	67	57%	8	7%	8	6%	0	0%
3.11 Construction Contracting	85	72%	25	21%	8	7%	0	0%	0	0%
3.12 Coaching and Mentoring	87	74%	13	11%	12	10%	6	5%	0	0%

4.3.3.1 Basic education: highest standard passed

The level of basic education acquired was relatively better than the rest of the critical skills areas in that only 4% said they did not have any formal education at all while 32% said they had certificates equivalent to Grade 7 or Standard 6. Based on the interaction with respondents, the indication was that the ABET programme (adult basic education) was beginning to raise the standard level of education among adults. A proportion of 31% had some qualification equivalent to Matric or Grade 12, as compared to a total of 21% who had a national diploma; while 11% had a degree or above. The deduction is that

quantitatively, basic education seemed to be poor to fair but the qualitative dimension was not certain and would need further research. More resources needed to be directed towards substantially raising the overall percentage of each of the above category.

4.3.3.2 Entrepreneurship

The majority of the respondents at 69% said they had no formal training at all in entrepreneurship while 24% said they had a certificate qualification. Furthermore, 7% said they had learned this skill at national certificate level. According to international benchmarking every business person should have at least some formal training in this area; and in terms of SAQA objectives, every learner must progressively acquire skills towards a qualification.

4.3.3.3 Estimating and Tendering

A significantly high proportion of 90% of the respondents said they had no formal training at all in estimating and tendering. This is not good news in an industry where contract work is secured through bidding. International industry benchmarking guides that every construction contractor should have at least someone with a formal qualification in this area within their business. Only 6% said they had a certificate qualification. Furthermore, a meager 3% said they had learned this skill at national certificate level. Only 1% of respondents had formal training at diploma level and above and this implied that it was a scarce skill that needed urgent attention.

4.3.3.4 Strategic management

Comparatively, this is the area where emerging contractors were least trained. An extremely high 92% had no formal training at all and only 8% said they had a certificate qualification. Without strategic management skills, a business is like a ship in the sea or an explorer in the desert without a compass. This level of ignorance could be reduced drastically through CETA training programmes.

4.3.3.5 Risk management

At 74%, lack of training was very high, and 14% said they had a certificate qualification. Only 7% said they had learned this skill at national certificate level and a further 5% had studied risk management at national diploma level. This implies that there were huge skills gaps and a lot of ground needed to be covered by CETA in bridging these gaps.

4.3.3.6 Business and Financial Management

Skills levels for these two areas were more or less of the same order at 47% and 44% respectively for those with no formal training at all; and was too high. An insignificant proportion of 14% said they had a national certificate qualification. Furthermore, only 7% said they had learned this skill at national diploma level and a further 5% at national diploma level. This indicated that there were significant skills gaps that needed CETA's attention.

4.3.3.7 Construction Technology and Construction Supervision

Skills levels for these two areas were also of the same order at 41% and 36% respectively for those with no formal training at all; and this was too high. An aggregate proportion of 16% said they had a national certificate qualification. Only 7% said they had learned these skills at national diploma level. Skills gaps were found to be huge and these needed to be closed, particularly because this area formed the core of the subject matter expertise.

4.3.3.8 Project Management

Formal training had not been acquired at all to the extent of 30%; while 57% said they have a certificate qualification and 7% said they had learned this skill at both the national certificate and 6% at diploma level. The level of knowledge is comparatively much higher than other critical skills area and this

could be attributed to recent generic training focus in this area; which may have lacked proper orientation.

4.3.3.9 Construction contracting

A majority of respondents (72%) said they had no formal training at all in construction contracting. If there was any one course that could be done by emerging contractors, this is the one; and every contractor should be encouraged to acquire this qualification. Furthermore, while 21% said they had a certificate qualification, 7% said they had learned this skill at national certificate level. A comprehensive skills audit could shed more light on the relevance and quality of these qualifications.

4.3.3.10 Coaching and mentoring

There was no formal training to the extent of 74% while 11% said they had a certificate qualification; and 10% said they had learned this skill at national certificate level. The implication was that there was no good intellectual framework in place for skills transfer for the few skills that were there.

4.3.4 Section 4 - Business Organisational Development



Table 4.9

Systems	Non Existent		Poor		Fair		Good		Excellent	
	No	%	No	%	No	%	No	%	No	%
Legislation	75	64%	25	21%	13	11%	5	4%	0	0%
Marketing strategy	86	73%	16	14%	12	10%	4	3%	0	0%
Corporate strategy	88	75%	13	11%	11	9%	6	5%	0	0%
Functional Org. Structure	90	76%	18	15%	6	5%	4	3%	0	0%
Policies	91	77%	12	10%	10	8%	5	4%	0	0%
Documentation system	67	57%	14	12%	19	16%	18	15%	0	0%
HR Mngt. Systems	95	81%	9	8%	6	5%	8	7%	0	0%
Financial Mngt. System	82	69%	36	31%	0	0%	0	0%	0	0%
Info. Mngt. Systems	53	45%	37	31%	19	16%	9	8%	0	0%
Asset Mngt. Systems	71	60%	35	30%	10	8%	2	2%	0	0%
Quality Mngt. Systems	73	62%	24	20%	11	9%	10	8%	0	0%
Total	871		239		117		71		0	
Aggregate	79	67%	21.7	18%	11	9%	6	5%	0	0%

4.3.4.1 Knowledge of the construction industry legislation

Out of 118 respondents, 64% indicated that they did not have working knowledge of construction industry legislation while of those who said they had some, 21% said the quality was poor, 11% said it was fair, 4% said it was good while 0% said it was excellent. Construction industry is highly regulated and if such a high proportion like as 64% did not have any working knowledge, and a combined 32% had poor to fair knowledge, these key role players were unlikely to be successful businesses.

4.3.4.2 The state of Marketing Strategy

From the total of 118 respondents, 73% indicated that their businesses did not have a marketing strategy while of those who said they had one in place, 14% said the quality was poor, 10% said it was fair, 3% said it was good while 0% said it was excellent. The proportion of businesses without a marketing strategy was very high at 73%. Only a combined 27% had a strategy in place but only a combined total of 24% was regarded as poor to fair. It means therefore that these businesses were unlikely to be competitive in a capitalist open market economy such as we have in South Africa. The inference was that without structural changes, established contractors would tend to continue to dominate if they were not challenged by these emerging contractors.

4.3.4.3 Corporate Strategy

Relative to the total of 118 respondents, 75% indicated that their businesses did not have a corporate strategy while of those who said they had one in place, 11% said the quality was poor, 9% said it was fair, 5% said it was good while 0% said it was excellent. The proportion of businesses without a corporate strategy was too high at 75%. A combined 25% had a strategy in place but only a total of 11% and 9% was regarded as poor to fair respectively. These businesses are unlikely to be competitive against established contractors and equity would take too long to be achieved.

4.3.4.4 Functionality of Organisational Structure

Out of 118 respondents, 76% indicated that their businesses did not have a functional organisational structure while of those who said they had one in place, 15% said the quality was poor, 5% said it was fair, 3% said it was good while 0% said it was excellent. Too high a percentage of emerging contractors did not have a functional structure and for those who had one in place, it is either poor or fair; thereby compromising internal business capacity.

4.3.4.5 Profile of policies and procedures

In respect of the total of 118 respondents, 77% indicated that their businesses did not have policies and procedures while of those who said they had some in place, 10% said the quality was poor, 8% said it was fair, 4% said it was good while 0% said it was excellent. The percentage of businesses without policies and procedures was unacceptably high and therefore of grave concern. Only 4% was good while a combined 18% was poor to fair. Government intervention needed to target this as a key performance area of capacity building.

4.3.4.6 The state of Standard Documentation System

Out of 118 respondents, 57% indicated that their businesses did not have a standard documentation system while of those who said they had one in place, 12% said the quality was poor, 16% said it was fair, 15% said it was good while 0% said it was excellent. For any business to have good administration and record keeping as well as quality management and accountability to both shareholders and regulatory authorities, a good documentation system was required. The empirical evidence points to the poor state of these systems and therefore intervention efforts were needed to deal with this matter systematically.

4.3.4.7 The state of Human Resource Management Systems

With reference to 118 respondents, 81% indicated that their businesses did not have human resource management systems while of those who said they had some in place, 8% said the quality was poor, 5% said it was fair, 7% said it was good while 0% said it was excellent. This was very high because people are the most important resource in any organisation and if there was no system to manage them, or the existing one was poor, the business was unlikely to be viable and successful.

4.3.4.8 The state of Financial Management Systems

Out of 118 respondents, 58% indicated that their businesses did not have financial management systems while of those who said they had some in place, 27% said the quality was poor, 10% said it was fair, 5% said it was good while 0% said it was excellent. There was very high a percentage of contractors without financial management systems. Poor to fair quality (combined 37%) in respect of those who have a system in place was less than satisfactory. This shortcoming was likely to result in the failure to compile and submit annual financial statement in terms of the generally accepted accounting practice (GAAP). This could also compromise the ability of emerging contractors to service their tax obligations to the South African Revenue Services (SARS).

4.3.4.9 The state of Information Management Systems

A portion of 118 respondents, i.e 45% indicated that their businesses did not have information management systems while of those who said they had some in place, 31% said the quality was poor, 16% said it was fair, 8% said it was good while 0% said it was excellent. Information is power (source unknown); especially in this modern era of the information age using the internet and cellular phone technology for communication. Many tender opportunities were communicated via the internet and poor access by emerging contractors to this kind of information meant that they could not

have had a competitive advantage in this cut-throat industry. Capacity building programmes could address this key performance area effectively.

4.3.4.10 The state of Asset Management System

Out of 118 respondents, 60% indicated that their businesses did not have an asset management system while of those who said they had one in place, 30% said the quality was poor, 8% said it was fair, 2% said it was good while 0% said it was excellent. None existence as well as poor quality of the existing systems was too high to be left unattended. This area is very important and like many other key performance areas discussed above, there was an acute lack of capacity. This is an industry that uses a lot of tools, equipment as well as temporary site establishment material that are often moved from one construction site to the other, sometimes over vast distances. These assets should be taken care of using some kind of system. Lack of an asset management system could highly compromise the business operations.

4.3.4.11 The state of Quality Management Systems (QMS)

Out of 118 respondents, 62% indicated that their businesses did not have quality management systems while of those who said they had some in place, 20% said the quality was poor, 9% said it was fair, 8% said it was good while 0% said it was excellent. The 62% rate of none existence of the QMS was too high taking into account the fact that 20% and 9% were only poor to fair in quality respectively. Only 8% was regarded as good and this showed that the state of the industry performance at the level of emerging contractors needed serious and urgent attention.



4.3.5 Section 5 - Government intervention via state-owned enterprises

The government used various state-owned enterprises to implement key development programmes. These included sector department-specific ones as well as generic ones catering for industrial and business development. Data was collected in respect of eight of these state-owned enterprises.

4.3.5.1 Construction Industry Development Corporation (CIDB)

In analyzing the extent and effectiveness of government interventions through state-owned enterprises in the tables below, only the percentage on the positive statement (yes) was calculated.

Table 4.10

Questions	Yes	No	% Yes
Do you know CIDB?	78	40	66%
Do you understand the purpose and role of CIDB?	55	63	47%
Do you think CIDB can assist in developing your business?	65	53	55%
Have you approached CIDB for assistance?	20	98	17%
Do you currently benefit from CIDB?	31	87	26%
Have you benefited from CIDB in the last three years?	23	95	19%
Is CIDB easily accessible to you?	27	91	23%

CIDB was fairly well known at 66% but of the respondents, a much lower percentage knew its role and purpose at 47%. Effective outreach programmes could improve the situation. Even though a comparatively lower percentage knew its role and purpose, more respondents at 55% thought the CIDB could offer them assistance; and this suggested inherent trust and hope in government institutions in general. Despite a much higher level of optimism regarding possible assistance, only 17% had in fact approached this institution for assistance, this could be attributed to procrastination or lower level of the manifestation of opportunities into actual construction projects. In contrast to the much lower frequency of approaching the CIDB, 26% of respondents were currently benefiting while 19% had benefited from this institution over the past three years. Only 23% of respondents said that the CIDB was accessible and this situation indicated that this institution had not done enough to promote accessibility and presence as close as possible to its intended beneficiaries.

4.3.5.2 Construction Education and Training Authority (CETA)

4.11

Questions	Yes	No	% Yes
Do you know CETA?	45	73	38%
Do you understand the purpose and role of CETA?	42	76	36%
Do you think CETA can assist in developing your business?	42	76	36%
Have you approached CETA for assistance?	10	108	8%
Do you currently benefit from CETA?	25	93	21%
Have you benefited from CETA in the last three years?	40	78	34%
Is CETA easily accessible to you?	36	82	31%

In relation to its strategic importance, knowledge of CETA was poor at 38% and of these respondents, a slightly lower percentage knew its role and purpose at 36%. A lot more effective outreach programmes were therefore needed to popularise this institution and its role as the supreme skills development roleplayer in this industry. The same proportion of respondents at 36% thought the CETA could offer them assistance. Given the poor state of skills levels in the country, particularly in the area under study, this suggested that many of the respondents were oblivious of the extent to which skills development could enhance the performance of their businesses. Despite a much higher level of optimism regarding possible assistance, only 8% had in fact approached this institution for assistance. Contrary to the much lower proportion of those who had approached the CETA for assistance, 21% of respondents were currently benefiting while 34% had benefited from this institution over the past three years. This is probably because despite poor initiative from the contractors themselves, most CETA-based training projects were driven by intermediaries such as training service providers. Proactive and contractor-demanded training culture should be promoted. Only 31% of respondents said that the CETA was easily accessible and this indicated room for improvement.

4.3.5.3 Small Enterprise Development Agency (SEDA)

Table 4.12

Questions	Yes	No	% Yes
Do you know SEDA?	85	33	72%
Do you understand the purpose and role of SEDA?	85	33	72%
Do you think SEDA can assist in developing your business?	78	40	66%
Have you approached SEDA for assistance?	60	58	51%
Do you currently benefit from SEDA?	35	83	30%
Have you benefited from SEDA in the last three years?	78	40	66%
Is SEDA easily accessible to you?	81	37	69%

At 72% rate of awareness of SEDA was doing well and the same percentage (72%) of respondents knew its role and purpose. There was however room for improvement. Fewer respondents at 66% thought the SEDA could offer them assistance. This suggested either some level of apathy or that this institution offers general rather than construction-specific small business support services. Despite a much higher level of optimism regarding possible assistance, a lower percentage at 51% had in fact requested assistance from this institution. In comparison, 30% of respondents were currently benefiting while 66% had benefited from this institution over the past three years. On a positive note, 69% of respondents said that the SEDA was accessible and this indicated that this institution’s outreach approach was effective.

4.3.5.4 Industrial Development Corporation (IDC)



Table 4.13

Questions	Yes	No	% Yes
Do you know IDC?	22	96	19%
Do you understand the purpose and role of IDC?	18	100	15%
Do you think IDC can assist in developing your business?	12	106	10%
Have you approached IDC for assistance?	12	106	10%
Do you currently benefit from IDC?	0	118	0%
Have you benefited from IDC in the last three years?	0	118	0%
Is IDC easily accessible to you?	5	113	4%

Awareness of the IDC was very poor at 19% and of these respondents, a slightly lower percentage at 15% knew its role and purpose. Furthermore, 10% of respondents thought the IDC could offer them assistance. Similarly, only 10% had in fact approached IDC for assistance. A very low 0% of

respondents said they had neither benefiting then nor over the past three years from the IDC. Only 4% of respondents said that the IDC was accessible and this situation indicates that this institution was not well promoted in the area under study. More effective outreach programmes were therefore needed.

4.3.5.5 National Urbanisation Reconstruction and Housing Agency (NURCHA)

Table 4.14

Questions	Yes	No	% Yes
Do you know NURCHA?	68	50	58%
Do you understand the purpose and role of NURCHA?	65	53	55%
Do you think NURCHA can assist in developing your business?	60	58	51%
Have you approached NURCHA for assistance?	20	98	17%
Do you currently benefit from NURCHA?	30	88	25%
Have you benefited from NURCHA in the last three years?	40	78	34%
Is NURCHA easily accessible to you?	26	92	22%

This institution was known by 58% of respondents while a slightly lower percentage knew its role and purpose at 55%. These percentages are less than satisfactory and more effective outreach programmes were therefore needed. Furthermore, an even lower proportion (51%) of respondents thought the NURCHA could offer them assistance. Despite a much higher level of optimism regarding possible assistance, only 17% had in fact approached this institution for assistance, this could be attributed to poor manifestation of opportunities into actual construction projects. In contrast to the much lower rate of approaching the NURCHA, 25% of respondents were currently benefiting while 34% had benefited from this institution over the past three years. Only 22% of respondents said that the NURCHA was accessible. This implied that this institution had not done enough to promote accessibility and presence closer to its customers.

4.3.5.6 National Housing Finance Corporation (NHFC)

Table 4.15

Questions	Yes	No	% Yes
Do you know the NHFC?	20	98	17%
Do you understand the purpose and role of the NHFC?	15	103	13%
Do you think the NHFC can assist in developing your business?	10	108	8%
Have you approached the NHFC for assistance?	5	113	4%
Do you currently benefit from the NHFC?	0	118	0%
Have you benefited from the NHFC in the last three years?	0	118	0%
Is the NHFC easily accessible to you?	5	113	4%

Awareness of the NHFC was a poor 17% with knowledge of its role and purpose even lower at 13%. Only 8% thought the NHFC could offer them assistance, which is about half of those who know this institution; and this could mean that the value of their service was not appreciated. This situation was in contrast to the fact that lack of access to finance for housing projects in particular was one of the biggest challenges for emerging building contractors. A very low 4% had in fact approached this institution for assistance. Furthermore, none of the respondents had benefited from this institution then or over the past three years. Only 4% of respondents said that the NHFC was accessible. This situation indicates that the NHFC had not done well to promote awareness, accessibility, services rendered and presence in the area under study.

4.3.5.7 Social Housing Foundation (SHF)

Table 4.16

Questions	Yes	No	% Yes
Do you know the SHF?	12	106	10%
Do you understand the purpose and role of the SHF?	12	106	10%
Do you think the SHF can assist in developing your business?	8	110	7%
Have you approached the SHF for assistance?	8	110	7%
Do you currently benefit from the SHF?	0	118	0%
Have you benefited from the SHF in the last three years?	0	118	0%
Is the SHF easily accessible to you?	5	113	4%

At 10% rate of awareness the SHF was poorly known but of these respondents, a much lower percentage knew its role and purpose at 10%. There was a lot of room for improvement. Even though a lower percentage

knew its role and purpose, 7% thought the SHF could offer them assistance; and this suggested inherent trust and hope in government institutions in general. Despite a much higher level of optimism regarding possible assistance, only 7% had in fact approached this institution for assistance, this could be attributed to lack of responsiveness by emerging contractors. In contrast to the much lower frequency of approaching the SHF, 0% of respondents were currently benefiting while 0% had benefited from this institution over the past three years. Only 4% of respondents said that the SHF was accessible and this situation indicates that this institution had not done enough to promote accessibility and presence as close as possible to its intended beneficiaries.

4.3.5.8 National Home Builders Registration Council (NHBRC)

Table 4.17

Questions	Yes	No	% Yes
Do you know the NHBRC?	63	55	53%
Do you understand the purpose and role of the NHBRC?	55	63	47%
Do you think the NHBRC can assist in developing your business?	25	93	21%
Have you approached the NHBRC for assistance?	20	98	17%
Do you currently benefit from the NHBRC?	34	84	29%
Have you benefited from the NHBRC in the last three years?	34	84	29%
Is the NHBRC easily accessible to you?	38	80	32%

At 53% rate of awareness the NHBRC was fairly well known but of these respondents, a much lower percentage knew its role and purpose at 47%. More effective outreach programmes could improve the situation. Even though a lower percentage knew its role and purpose, more respondents at 21% thought the NHBRC could offer them assistance; and this suggested inherent trust and hope in government institutions in general. Despite a much higher level of optimism regarding possible assistance, only 17% had in fact approached this institution for assistance. In contrast to the much lower rate of approaching the NHBRC, 29% of respondents were currently benefiting while 29% had benefited from this institution over the past three years. Only 32% of respondents said that the NHBRC was accessible and this indicated room for improvement.

4.3.5.9 Indication of the best three in customer satisfaction

The respondents rated the state-owned enterprises in question in the descending order as follows :

- One - SEDA
- Two - NURCHA
- Three - CETA

A closer look at the tables above reveals that this rating tends to be in line with the corresponding descending order of the percentages relating to the benefit currently and previously enjoyed by emerging contractors from these institutions

4.3.5.10 Indication of the worst three in customer satisfaction

The respondents rated the state-owned enterprises in question as follows, the first being the worst performer and the third being the better of the three:

- One - SHF
- Two - NHFC
- Three - IDC

4.3.5.11 Summary of the performance of state-owned enterprises

CIDB was supposed to be the most prominent of the state-owned enterprises as a development agency for the entire built environment, of which the construction industry is only a component, but it was not. It was not adequately known and where it was known, its efforts did not satisfactorily translate into benefits for emerging contractors. SEDA and NURCHA were doing fairly well but not well enough to accelerate development of emerging contractors in line with the objectives of ASGISA. It was interesting to note that the three institutions attached to the Department of Housing namely NHBRC, NHFC and SHF were not doing well; so was the IDC. CETA could do better by promoting compliance with the payment of skills levy by emerging contractors, thereby inducing greater awareness, stake and hopefully some enthusiasm for the training of shareholders, managers, supervisors, technicians and artisans.

4.3.6 Section 6 - External Business Environment

A positive statement was made regarding various government departments and responses were analysed in respect of each of Table 4.18.

4.3.6.1 Statement : “Tendering - the following government departments offer adequate tendering opportunities for emerging contractors”:

Table 4.18

Government Departments	Strongly Agree		Agree		Disagree		Strongly Disagree	
	No	%	No	%	No	%	No	%
Public Works-general	33	28%	48	41%	21	18%	16	14%
Housing - Houses	75	64%	25	21%	14	12%	4	3%
Education - Schools	88	75%	13	11%	11	9%	6	5%
Health - Clinics	52	44%	32	27%	26	22%	8	7%
Roads & Public Safety - Roads	22	19%	18	15%	48	41%	30	25%
Municipality	64	54%	25	21%	19	16%	10	8%

4.3.6.1.1 Department of Public Works - All types of construction

A proportion of 28% said they strongly agreed while 41% said they agree giving a combined total of 69% affirmation that this department offer adequate tendering opportunities. A combined total of 31% said the department did not offer adequate opportunities, 18% disagreed and 14% strongly disagreed.

4.3.6.1.2 Department of Housing - Houses and civil infrastructure

A proportion of 64% said they strongly agreed while 21% said they agree giving a combined total of 85% affirmation that this department offer adequate tendering opportunities. A combined total of 15% said the department did not offer adequate opportunities, 12% disagreed and 3% strongly disagreed. The rate of affirmative response is overwhelming.

4.3.6.1.4 Department of Health - Clinics

A proportion of 44% said they strongly agreed while 27% said they agree giving a combined total of 71% affirmation that this department offer adequate

tendering opportunities. A combined total of 29% said the department did not offer adequate opportunities, 22% disagreed and 7% strongly disagreed.

4.3.6.1.5 Department of Roads and Public Safety – Roads

A proportion of 19% said they strongly agreed while 15% said they agree giving a combined total of 34% affirmation that this department offer adequate tendering opportunities. A combined total of 66% said the department did not offer adequate opportunities, 41% disagreed and 25% strongly disagreed. The level of affirmative response was not good. This perception is mainly as a result of two reasons; first, roads were of civil engineering infrastructure in nature and required large investment in plant and equipment and therefore more suitable for specialist rather than emerging contractors; and second, civil engineering infrastructure contracts were often too big for emerging contractors.

4.3.6.1.6 Municipalities

A proportion of 28% said they strongly agreed while 41% said they agree giving a combined total of 69% affirmation that the municipalities offer adequate tendering opportunities. A combined total of 31% said the department did not offer adequate opportunities, 18% disagreed and 14% strongly disagreed.

4.3.6.2 Payment – The response was in relation to the statement that “The following government departments **do not pay** emerging contractors **on time** (ie within 30 days of certification of work done)”:

Table 4.19

Government Departments	Strongly Agree		Agree		Disagree		Strongly Disagree	
	No	%	No	%	No	%	No	%
Public Works-general	34	29%	52	44%	17	14%	15	13%
Housing - Houses	72	61%	25	21%	14	12%	7	6%
Health - Clinics	56	47%	30	25%	25	21%	7	6%
Roads & Public Safety - Roads	45	38%	35	30%	20	17%	18	15%
Municipalities	34	29%	38	32%	29	25%	17	14%

4.3.6.2.1 Department of Public Works - All types of construction

A total of 29% said they strongly agreed while 44% said they agreed, giving a combined total of 73% affirmative response that this department did not pay contractors on time. On the contrary, a combined total of 27% disputed this statement, 14% disagreed and 13% strongly disagreed, meaning that they were in fact paid on time.

4.3.6.2.2 Department of Housing - Houses and civil infrastructure

A total of 61% said they strongly agreed while 21% said they agreed, giving a combined total of 82% affirmative response that this department did not pay contractors on time. On the contrary, a combined total of 18% disputed this statement, 12% disagreed and 6% strongly disagreed, meaning that they were in fact paid on time.

4.3.6.2.4 Department of Health - Clinics

A total of 47% said they strongly agreed while 25% said they agreed, giving a combined total of 73% affirmative response that this department did not pay contractors on time. On the contrary, a combined total of 27% disputed this statement, 21% disagreed and 6% strongly disagreed, meaning that they were in fact paid on time.

4.3.6.2.5 Department of Roads and Public Safety – Roads

A total of 38% said they strongly agreed while 30% said they agreed, giving a combined total of 68% affirmative response that this department did not pay contractors on time. On the contrary, a combined total of 32% disputed this statement, 17% disagreed and 15% strongly disagreed, meaning that they were in fact paid on time.

4.3.6.2.6 Municipalities

A total of 29% said they strongly agreed while 32% said they agreed, giving a combined total of 61% affirmative response that the municipalities did not pay contractors on time. On the contrary, a combined total of 39% disputed this

statement, 25% disagreed and 14% strongly disagreed, meaning that they were in fact paid on time.

4.4 Conclusion

The data analysis revealed that there was a general lack of capacity by emerging contractors in the areas of skills and organisational development (business systems). Empirical evidence also indicated that there were plenty of opportunities offered by the public sector in particular. The external environment relating to timely payment of claims was found to be less than satisfactory. Whereas South African government played its role as part of a developmental state in the development of the construction industry in general, her efforts were not particularly effective for emerging contractors in the area under study. The government through its state-owned enterprises was committed to support SMMEs and in this regard, enormous resources have been put in place to make the environment conducive for emerging contractor participation. The government and its state-owned enterprises poorly coordinated their respective effort towards the building of capacity of emerging contractors. In investing in mechanisms and resources for contractor development, inputs of emerging contractors were not sufficiently solicited. In the area under study, initiatives by the government to build capacity of emerging contractors have not been adequately effective. Suggestions by respondents on how the government could intervene were found to be substantive, relevant, sensible and achievable.

CHAPTER 5 : SUMMARY, FINDINGS AND RECOMMENDATIONS

5.1 Introduction

This chapter draws together the various threads that have runs through the previous chapters by way of a summary. In presenting this summary, reference is made to the contents of previous chapters namely orientation and introduction, literature review, research design, analysis and interpretation. The researcher reflects on the, the linkage of the findings to the research questions, the theoretical foundation as well as the methodology and this is finally followed by the conclusion and recommendations.

5.2 Theoretical Implications

Many development theories have been postulated and some of those have been cited in earlier chapters. Only four are used again as references for evidence of whether they were affirmed or negated by the findings.

First, Rostow (1960) as quoted by Martinussen (1997: 64) argues in his theory of development that the development process is divided into five stages namely; “the traditional society, the establishment of preconditions for take-off, the take-off stage, the drive to maturity, and finally, the époque of high mass consumption”. To a very large extent the findings indicate that the EBCs have not yet reached the ‘take-off’ stage although many of them have moved from the ‘traditional society’ stage. They are at the stage where they need to be supported so that they can develop on their own; and this is the second stage namely ‘the establishment of preconditions for take-off’. It has been found that without the creation of an environment conducive to business, there will be no development. Rostow’s theory has therefore been proved correct.

Second, Martinussen (ibid) argues in terms of the theory of ‘capacity building and development by people’ that “with a notion of people’s participation as primarily a means to development there is a tendency that strategies are

formulated by central decision makers on behalf of the poor, who are merely drawn into the process afterwards to support the implementation of them. This also implies that the basic needs of the poor are defined by others than themselves” (Martinussen, Ibid). This anomaly has been confirmed by the findings in that many strategies have been formulated and are currently being implemented through government and its state-owned enterprises, without the EBCs having participated at the conception stage. As a result, interventions are ineffective. This has been found to be correct in that despite a plethora of resources deployed in the form of programmes, projects and state-owned enterprises, together with huge financial investment in the development of the construction industry, not much of the development objectives had been achieved.

Third, McNamara as cited in www.magementhelp.org/org_perf/capacity.htm states that “capacity building efforts can include a broad range of approaches, for example granting operating funds, granting management development funds, providing training and development sessions, providing coaching, and supporting collaboration” According to the findings, failures of emerging contractors to execute projects successfully have been attributed to lack of effective support in these very same key areas. There was agreement between theory and the findings.

Fourth, in terms of the modernisation theory, Pye (1966) and Apter (1965) are quoted by Martinussen (Ibid) as having conceived “development as a process of modernisation that is a structural change process whereby the traditional and backward Third World countries developed towards greater similarity with the Western world. Key tenets in this theory that were given prominence were: an extensive division of labour and specialisation, high productivity, self-sustaining economic growth, a well-functioning and active state apparatus, a democratic form of government and equality before the law” (Martinussen, Ibid: 38). According to this theory, these are some of the key characteristics of the process of modernisation which should be emulated by the developing and under-developed states if they are to succeed at all. This theory has been affirmed by the findings in that by inference, lack or inadequacies of

some of these elements had resulted in the EBCs being largely below par in relation to international benchmarks. Because the EBCs were part of a global open market economy, they needed to adapt international best practices in order to acquire the requisite capacity.

5.3 Linkage of the findings to the research questions

Five key questions were asked in Chapter One as part of the problem statement and here, the aim is to draw conclusion from the findings in order to answer each of these questions.

5.3.1 Critical factors that cause the common failure of contractors to deliver on contractual obligations

First, many EBCs failed to complete projects successfully on time, within budget constraint and to the requisite levels of quality and the causes can in summary be attributed to the following:

- Lack of project management skills
- Lack of estimating and tendering skills
- Lack of access to bridging finance
- Lack of access to material supplier credit
- Poor technical knowledge and site supervision
- Lack of cash flow management
- Lack of some pre-qualification system that would ensure fair and just criteria to regulate entry into the industry as an EBC; without being unnecessary barriers to entry. Simply put, any one can just decide that they are a contractor and then they would be eligible to participate without any pre-qualification, accreditation or certification.

5.3.2 Levels of competence that are expected of contractors

From various sources such as the White Paper on Construction Development (1999), the CIDB Report on the State of the Construction Industry (2004) as well as various quotations by the President and Cabinet Ministers cited elsewhere in this document; including international best practices, contractors are expected to be of global standards. It is expected that they should perform in relation to contractual obligations, grow and contribute to the country's economic growth, deliver services to the satisfaction of customers and finally, be globally competitive. By inference, it is also expected that they should be profitable in order to be able to have surplus value (profit) and thereby contribute to the fiscus through taxes. Competence is the ability of an individual to deliver on the targets or contractual deliverables of whatever task that they are doing through a delicate balance between knowledge, skills and attributes. If any one of these three is missing, it is unlikely that an individual would be competent. Based on the findings, as well as benchmarking against international academic prescripts, global best practices; and tried and tested franchising model in the literature review, many of EBCs did not meet the expected levels of competence.

5.3.3 Support needed by emerging contractors in order to perform to the desired standards

Emerging contractors needed support in essentially three areas namely skills development, organisational development as well as making the external environment to be conducive for viable business.

5.3.3.1 Skills development support



It was found that EBCs needed a lot of support in the areas of business leadership, business management, technical supervision, artisan technical skills as well as in coaching and mentoring. First, as the majority of EBCs were not registered with CETA and were therefore not paying the skills development levy and as a result they were not provided for in the Sector

Skills Plan. This combined with that fact that many of them used casual labour which meant that the entrepreneurs themselves together with their employees were not part of people targeted by CETA annually for training purposes. Second, Table 4.8 and the analyses thereof indicate the profile of business leadership and management areas where EBCs and their artisans needed skills development support. Third, many EBCs lacked the basic education (literacy and numeracy) and it was found that it was necessary to pay serious attention at this level in order to enhance the chances of success when training was conducted at a later stage.

5.3.3.2 Organisational development support

Key areas of organizational development were identified were EBCs needed support and these are the following:

- **Legislation** - It is crucial to any civil society and South Africa being a constitutional state, the principle of the rule of law has to be embraced practically. It is important that EBCs should be familiar with legislation relevant to the construction industry.
- **Strategy** - It is central to any business, more so the marketing strategy which is so relevant in the free market economy.
- **Policies** - Policies supported by standard operating procedures and standard documentation are critical in any business organisation and emerging contractors are not exceptions. Many were found to lack development in this area and therefore needed assistance.
- **Programmes** development – The ‘management by programme’ approach assist in expressing a set of organisational objectives, actions and deliverables into identifiable packages so that ongoing implementation can be focused.

- **Resource management systems** – These are crucial to any business. As stated before, resources are grouped into four categories and each business must have a system for each. EBCs needed support to help them optimize resource utilisation.
- **Quality management systems (QMS)** – These are necessary to ensure the delivery of good quality service or products.
- **Process management systems** – These are necessary to ensure that the backbone of every business namely operations, are very well organized, effective and efficient. This is a very broad classification of systems that are used to manage production processes. Process management systems ensure that there is a methodical and systematic value adding conversion of resources into products and services.

5.3.3.3 Making external environment conducive to viable business

The external environment was found to be a critical factor in the capacity of EBCs to perform and the three prominent areas that required attention were access to bridging finance, access to material supplier credit and the timely payment for work done.

5.3.3.3.1 Easing access to bridging finance

It has been found that many EBCs fail because of poor or lack of access to adequate project and business establishment finance. Many of the current interventions by government such as NURCA, Khula Enterprise, IDC, NHFC, Umsobomvu Youth Fund have not had the desired impact and therefore need a comprehensive review. Bridging finance is still difficult to access for ordinary emerging construction businesses.

5.3.3.3.2 Easing access to material supplier credit

It was found that government support programmes lacked adequate strategic focus on easing access to material supplier credit. EBCs still found it difficult to secure adequate access to building material supplier credit and without these facilities it was almost impossible to run viable construction projects. It was found that the majority of EBCs could not compete with established contractors for tenders primarily because of this reason.

5.3.3.3.3 Paying EBCs on time for work done

It was found that the external environment relating to the payment of claims by emerging contractors were not satisfactory and therefore needed serious attention. Empirical evidence has proven beyond doubt that most departments do not pay contractors on time (within 30 days of certification of work done). This anomaly affected the cashflow management of emerging contractors adversely and many of them partly closed down as a result of this.

5.3.4 Adequate mechanisms to pre-qualify building contractors for work commensurate with their capacity

The answer was no. There were no adequate mechanisms in place to pre-qualify contractors as a sensible fair, just and justifiable barrier to entry to regulate the quality of their participation. Case studies were examined to consider the feasibility and viability of this concept as part of QMS and these are:

5.3.4.1 The CIDB grading system

The CIDB grading system was found to be extremely inadequate as a means of pre-qualifying contractors because the criteria used was not rigorous enough and was not performance-based.

5.3.4.2 Accreditation and certification is a viable solution

A case study of the SAQA system of accreditation of training service providers as implemented by LGSETA on an agency basis was found to be a feasible proposition. It had all the key organisational development and minimum skills levels elements inherent in it. It was found that with modification, this system could be successfully used as a pre-qualification mechanism to regulate both the entry into the industry as well as being a QMS. A sensible and realistic barrier to entry is not necessarily a bad thing, but it should be viewed and used in a positive light in much the same way as a person is required to pass both the theory and practical test before acquiring a driver's licence to drive on a public road.

5.3.4.3 Franchising is a viable solution

Franchising was found to be feasible as a model that contained all elements of skills and organisational development necessary to give businesses a higher chance of succeeding. It was found that with modification and adaptation this business model could be used with a good measure of success. In fact, franchising in the construction industry was already being used successfully particularly for maintenance oriented construction contracts. Lessons could be learned to expand these successes in a significant way onto the areas of new construction work.

5.4 Linkage of findings to the methodology

The research methodology as briefly described in Chapter One and also reflected in detail in Chapter Three was found to be very well suited to this study. The questions asked were well suited to the data collected. The methodology used offered a good opportunity to measure the empirical data in great detail, and very accurately so. As proposed before, and in terms of the stated research parameters, the survey was confined to the area under study in respect of emerging contractors themselves. However, the case studies on the failures of projects by EBCs was collected within and beyond

the area under study; so were interviews conducted with project managers and other professionals.

Furthermore, the collection of data was well executed and very cost effective. The decision to conduct a pilot survey was a very good one because it afforded the researcher the opportunity to discover what worked best. The approach to combine the face to face method of interview with the one of distributing the questionnaire and allowing the respondents to complete it by themselves worked very well indeed. Data was collected very quickly and the quality of the process and the final product were good.

5.5 Conclusion



- First, the hypothesis has been proved correct in that the government had deployed enormous resources and systems directly and through state-owned enterprises to address the capacity building needs of EBCs but these were not as effective as they ought to be.
- Second, poor organisational development, lack of skills and inadequate use of modern technology was contributing to poor service delivery by emerging contractors as demonstrated by the case studies on the causes of failure of projects.
- Third, empirical evidence presented in Chapter Four has proven that based on the international benchmarking relating to both competence (industry-specific knowledge and skills) as well as organisational development (systems and resources), the emerging contractors in the area under study were not up to world class standards. Their potential and/or ability to have local and global competitiveness were thereby highly compromised.
- Fourth, it has been found that there is a serious lack of generic and construction-specific skills that are critical to the success of EBCs. In

addition, the majority of EBCs do not pay skills development levy and are therefore excluded from sector skills plan which was the primary official government plan used for closing such skills gaps through CETA-approved training programmes.

- Fifth, there was no evidence found of any substantive system of pre-qualification or accreditation and/or certification of contractors and as a result, anyone could be a contractor as long as they were registered with the Companies and Intellectual Property Registration Organisation (CIPRO) and SARS. There were too many participants in the construction industry who ought not to have been building contractors, or whose focus area was not commensurate with their capacity. Furthermore, the CIDB grading system was not adequately rigorous to create appropriate and just barriers to entry and also to regulate upward and lateral mobility to accommodate change in focus areas.
- Sixth, evidence could not be found of a systematic target setting approach to support emerging contractors in a localized fashion by construction-specific state-owned enterprises. In addition, emerging building contractors did not participate in the performance management system (PMS) to determine the success or otherwise, or the extent thereof, of achieving and sustaining pre-determined targets/objectives in local areas by government through construction-specific state-owned enterprises.
- Seventh, there was insufficient effort put towards the integration and co-ordination of capacity building programmes of the two main government departments namely the department of Public Works and the Department of Housing, to support emerging building contractors. As a result, their respective state-owned enterprises implemented disjointed support programmes. There was little evidence of synergy.

- Eighth, integrated communication with emerging building contractors focusing on capacity building initiatives was less than adequate in the area under study. The annual national construction exhibition event that was held in Johannesburg every September was not accessible to most emerging building contractors neither did it have adequate capacity building focus. There are no localized integrated construction-specific events in line with the principle of local economic development.
- Ninth, it was also found that there was a very low level of participation by the youth below the age of thirty years as entrepreneurs, as opposed to artisans and labourers.
- Tenth, there was a high prevalence of low levels of skilled artisans hence poor quality workmanship in many building trades such as bricklaying, tiling, plastering, carpentry, painting, plumbing and electricity.

5.6 Recommendations

Based on the findings of the study, it is recommended that:

5.6.1 Dealing with the project failures

- When contracts are entered into between the government and merging contractors, coaches and/or mentors should be assigned projects on a contract basis to supervise and incubate such contractors. The incubation agreement should include clear capacity building deliverables. This incubation would be varied according to the needs of each emerging contractor based on a prior audit of skills levels as well as business systems.

5.6.2 Dealing with the skills development of EBCs

- A comprehensive competency framework should be developed for emerging building contractors followed by a comprehensive skills audit which should be conducted to determine the skills gaps. This framework should be aligned to the SAQA system of profiling skills and qualifications that is known as the National Qualification Framework (NQF).
- In order to promote the appreciation of the skills gaps of emerging contractors by emerging contractors themselves, awareness of benchmarks should be created. This consciousness would form the basis for emerging contractors to internalize the quest for closing these skills gaps and thereby participate in training programmes with zeal and zest.
- CETA should device mechanisms of including EBCs in their sector skills plans so that they are not excluded from training initiatives in the interim while they are not yet compliant with the obligation to pay skills levies.
- Targeted skills programmes should be developed and rolled-out so that the requisite skills could be imparted through effective and occupation-based education and training (OBET) delivery means. Coaches and mentors should be contracted to oversee the experiential learning through tried and tested incubation programmes.
- Acceleration of skills transfer from experienced practitioners such as project managers, retired contractors, current contractors and site supervisors should be promoted through a recruitment programme to impart experiential knowledge. In this way, extensive knowledge of experienced people would not be lost.

5.6.3 Dealing with the organisational development of EBCs

- **Legislation** - All EBCs should be given basic training on the legal framework that directly affects their operations, including generic ones such as the Promotion of Access to Information Act (2000) and Promotion of Administrative Justice Act (2000). Every contractor should be given skills on how to practically benefit from the principles enshrined in the Constitution of the Republic of South Africa, Act 108 of 1996.
- **Strategy** - EBCs should be taught the importance of strategy and having a business and marketing strategy should be encouraged as one of the criteria for securing government contracts through some incentive scheme.
- **Policies** - EBCs should be supported such that they have a full set of policies, procedures and documentation. This could be done by developing some generic set of policies in what is commonly known as a 'tool kit'. This could be posted on the internet for ease of access and every municipality SMME help desk or the local economic development (LED) department could be supplied with these documents.
- **Resource management systems** - EBCs should be supported so that they have in place a human resource management system; a financial management system; an information management system; and a physical resource management system (commonly refer to as an asset management system). This could be developed or procured and made available to EBCs at a subsidised cost.
- **Quality management systems (QMS)** - Contractors should be supported to have QMS in place for purposes of sustained customer satisfaction.

- **Process management systems** - EBCs should be supported through what is commonly known as business process re-engineering (BPR) so that their business operations could be highly productive and cost effective thereby increasing the prospects of growth and profitability.
- **A pre-qualification system** should be developed that incorporates all essential elements of capacity building as outlined in Figure 2.1. This should be modeled along the lines of the SAQA-prescribed system of accreditation and certification that also embodies strong elements of the ISO 9000 system as discussed in Chapter Two. This new system should take into account the peculiar characteristics and dynamics prevalent in the construction industry and should be developed together with organized and unorganized emerging contractors and construction oriented project managers.

5.6.4 State-driven interventions (external environment)

- CETA should be more vigorously promoted in the area under study. More outreach programmes should be implemented to promote compliance with the obligation to pay skills development levy and to develop and submit workplace skills plans (WSP) so that EBCs can be included in the annual sector skills plan (SSP).
- A contractor help desk should be established in every municipality in the province complete with modern information and communication technology (ICT) hardware and software, as well as internet connectivity via both landline and/or cellular phone (wireless) network.
- Incubation centres of excellence should be established in every district within the North West Province as 'warehousing facilities' to provide capacity building services to support emerging contractors. These centres could be provided with both permanent as well as temporary resources such that they provide a 'one stop' support services were all

key role players are available. The scope of services rendered should be at least as comprehensive as outlined in Figure 2.1.

- Active participation of both organized and unorganized emerging contractors should be promoted and construction information road shows should be held at least once a year for purposes of information sharing. The scope of the content of these workshops should be packaged such that they are at least as comprehensive as Figure 2.1 outlines the concept of capacity building.
- In line with the government policy to empower women contractors, programmes should be developed by all government departments active in the built environment together with their state-owned enterprises, to deliberately target women construction businesses through mechanisms such as quotas and ring-fenced budget allocations. Performance indicators should be developed in this regard and should be a key element in the performance contract of every Head of Department in government or Chief Executive Officer/General Manager in the relevant state-owned enterprises.
- The CIDB Grading system should be reviewed to incorporate criteria that address as many elements of capacity building as outlined in Figure 2.1.
- The ISO 9000 system should be adapted and promoted as one of the cornerstones of administration in the construction business and should be included in all business development curriculum. Incentives should be put in place to encourage EBCs to subscribe to these business process systems.
- Project Management should be institutionalized such that a big contract can be assigned to consultants to manage on behalf of a group of smaller emerging contractors with clear deliverables to build capacity

over a period of not less than three years. The minimum of for example 3 years and/or 3 projects, whichever is the lowest would ensure some level of sustainability of development programmes.

- The government in partnership with the private sector should develop innovative financing packages to make it easier for EBCs to secure bridging finance for their projects. This has to be supported by good cash flow management practices to minimise the cost of finance.
- Emerging contractors should be paid on time for work done so that their cashflow can improve and decrease the cost of bridging finance. To give practical meaning to this objective, business partnership should be forged with the private sector particularly the financial institutions to develop and implement a more emerging contractor-friendly payment systems for government departments with adequate checks and balances.
- EBCs should be supported through a system that would improve their creditworthiness with material suppliers. A system needed to be found to minimize the risk exposure to material suppliers particularly because payment for work done in this industry was dependent on good quality workmanship. This means that payment to contractors was for work done (labour and material), and there were conditions attached, unlike in the retail industry. If workmanship was poor, payment was often not effected and if the contractor is not paid he/she would be unable to pay the material suppliers. The government could also not over-expose itself through unmanaged payment of guarantees. Participation of EBCs was, and still is critical in the development of innovative and viable solutions.

5.6.5 Private sector involvement

- An advertisement (request for proposals-RFP) should be published in the press media to invite and solicit inputs from the private sector to provide business solutions that would assist to adapt the franchising concept into a workable business model for emerging building contractors. This would ensure the institutionalisation of best practices that have been tried and tested in the construction industry.
- Private financial institutions, venture capitalists as well as state institutions such as National Housing Finance Corporation (NHFC), NURCHA, Khula Enterprises, IDC, Business Partners and Umsobomvu Youth Fund should be invited to develop special project financing packages to promote easier access. These financing solutions should include a strong element of risk sharing or risk transfer so that they offer incentives and become attractive to the private sector financiers, without subjecting the state to undue over-exposure.
- Major construction material suppliers should be consulted to develop a system that would favourably offer emerging contractors easier access to credit, based on proof of government-issued building contracts. Risk sharing would naturally be one of the key concerns for material suppliers but innovative logistics management systems should deal with this matter effectively. This could include amongst others, payment guarantees by government linked to obligatory project management practices.

5.6.6 Further research

Due to the broad nature of the concept of capacity building as defined in Figure 2.1 above, many critical areas could not be dealt with exhaustively in this study and therefore further research is recommended in the following areas:

- Integration and co-ordination of capacity building programmes among government departments in their respective state-owned enterprises active in the built environment.
- Applicability and practical application of the franchising concept to suit the emerging contractors especially the women and youth
- Development of an accreditation system for emerging contractors to participate in government contractors as an improvement on the CDIB grading system.
- Development of viable and sustainable financing models that are user-friendly to emerging contractors
- Development of a user-friendly and viable system for easing access to material supply credit by emerging contractors
- Development of effective mechanisms to include emerging building contractors as beneficiaries of the CETA-funded skills development programmes as part of discretionary funding
- The identification or development of centers of excellence to manage mentoring and incubation programmes for emerging contractors in the area of every local or district municipality
- The development of a tool-kit to enhance the planning and the administration of building activities by emerging contractors
- The viability of a training and/or coaching digital video disc (DVD) for emerging contractors purposes of mass communication and skills development.

BIBLIOGRAPHY

1. African EPA (Pty) Ltd, 2004. *Technical Investigation Report: Housing Project in Letsopa Ext. 1&2 in Ottosdal, South Africa*. Mafikeng. (Unpublished).
2. Bhagwan J and Wall K, 2007. Water Research Commission/CSIR Knowledge Services, - *Local Franchisee PPPS for Water Services Operations*. (Unpublished).
3. Brink et al, 2004. *Essentials of Marketing, second Edition*. Cape Town. Juta Academic.
4. Burke R, 2003. *Project Management – Planning and Control Techniques, Fourth Edition*. Cape Town, ABC Press.
5. *Construction Industry Development Board - CIDB, 2005 - Annual Report for 2004*. Pretoria. Government Printer.
6. *Construction Industry Development Board - CIDB, 2007 - Annual Report for 2006*. Pretoria. Government Printer.
7. Descombe M, 2003. *The Good Research Guide*. Philadelphia. Open University Press.
8. Edutel, 2005. *Study Manual on Workplace Assessment*. Johannesburg. (Unpublished)
9. Haupt and Smallwood, 2003. *Gender Equity in Construction : Myth or Reality*. University of Port Elizabeth hauptt@pentech.ac.za
john.smallwood@upec.ac.za
10. Global Entrepreneurship Monitor, 2005. *Annual Report*. Cape Town. University of Cape Town
11. Goddard W and Melville S, 2001. *Research Methodology – An Introduction*. Lansdowne. Juta & Co. Ltd.
12. Government of South Africa, 2004. *Annual Report of the Department of Housing*. Pretoria. Department of Housing. Pretoria. Government Printer.
13. Government of South Africa, 1996. *Constitution of the Republic of South Africa 1996 (Act No. 108 of 1996)*. Pretoria. Government Printer.
14. Government of South Africa, 2005. Department of Finance. *Division of Revenue Act (Act No. 1 of 2005)*. Pretoria. Government Printer.
15. Government of South Africa, 2004. Department of Housing. *Breaking New Ground: A Comprehensive Plan for the Development of Sustainable*

NWU
LIBRARY

Human Settlements for South Africa. Government Gazette No. 58490.
Pretoria. Government Printer. (available on <http://www.housing.gov.za>)

16. Government of South Africa, 1998. Department of Housing. *Housing Consumer Protection Measures Act*, (Act No. 95 of 1998). Pretoria. Government Printer.
17. Government of South Africa, 1997- Department of Housing. *Housing Act (Act No. 107 of 1997)*. Government Gazette No. 18521. Pretoria. Government Printer.
18. Government of South Africa, 1999. Department of Housing. *National Housing Code*. Pretoria. Department of Housing. Pretoria. Government Printer.
19. Government of South Africa, 2000. Department of Housing. *South African Country Report to the Special Session of the United Nations General Assembly for the Review of the Implementation of the Habitat Agenda (Instambul +5)* – presented in June 2001: (available on <http://www.housing.gov.za>)
20. Government of South Africa, 1994. Department of Housing. *White Paper: A New Housing Policy and Strategy for South Africa. Government Gazette No. 16178*. Pretoria. Government Printer.
21. Government of South Africa, 2000. Department of Labour. *National Skills Development Strategy*. Pretoria. Government Printer.
22. Government of South Africa, 2001. Department of Labour. *National Skills Development Strategy – Setting the Context*. Pretoria. Pretoria. Government Printer.
23. Government of South Africa, 2000. Department of Provincial and Local Government. *Local Government : Municipal Systems Act (Act No. 32 of 2000)*. Pretoria. Government Printer.
24. Government of South Africa, 1997. Department of Public Services and Administration. *Batho Pele: People First – White Paper on Transforming Public Service Delivery*. Pretoria. Government Printer.
25. Government of South Africa, 2004. North West Province - Department of Developmental Local Government and Housing. *Capital Project Budget Report*. Mafikeng. Government Printer.
26. Government of South Africa, 2007. North West Province Department of Public Works. *Step Ahead News Letter - Volume 1*. Mafikeng. Government Printer.

27. Government of South Africa, 2000. North West Province - Office of the Premier. *State of the Province Address*. Mafikeng. Government Printer.
28. Government of South Africa, 2005. North West Province - Office of the Premier. *State of the Province Address*. Mafikeng. Government Printer.
29. Hellriegel et al, 2004. *Management, South African Edition*. Cape Town. Oxford University Press
30. Kotler P, 2003. *Marketing Management – Eleventh Edition*. New Jersey. Prentice Hall.
31. Martinussen J, 1997. *Society, State and Market – A Guide to Competing Theories of Development*. London. Zed Books Ltd
32. Master Builders Association of South Africa, 2004. *Annual Report*. Johannesburg. (Unpublished).
33. Master Builders Association of South Africa, 2005. *Annual Report*. Johannesburg. (Unpublished).
34. Meyer EC and Allen KR, 1994. *Entrepreneurship and Small Business Management*. USA. Glencoe.
35. O'Neill R, Terblanche N and Keyter L, 1997. *Creative Entrepreneurship*. Pretoria. Kagiso Tertiary.
36. Project Management Institute, 2000. *A guide to Project Management Body of Knowledge (PMBOK)*. Pennsylvania USA. Project Management Institute.
37. Rugimbana R and Nwankwo S, 2003. *Cross-cultural Marketing*. London. Thomson Learning.
38. Salvatore D, 2004. *Managerial Economics in a Global Economy*. USA. Thomson South-Western.
39. Silbiger S, 1999. *The 10-Day MBA, A step-by-step Guide to mastering the skills taught in top Business Schools*. London. Judy Piatkus (Publisher) Ltd.
40. Smit L, 2003. *Entrepreneurship and Business Management*. Cape Town. CLS Publishers cc.
41. Smith PT & Cronje GJ, 1992. *Management Principles*. Cape Town. Juta & Co, LTD.
42. Thompson and Strickland, 2003. *Strategic Management – Concepts and cases*. New York. McGraw – Hill.

43. <http://www.anc.org.za> (Accessed 6 June 2007)
44. <http://www.anc.org.za/youth/docs/framework> (Accessed 6 June 2007)
45. <http://www.cidb.gov.za> (Accessed 22 May 2008)
46. <http://www.cidb.org.za/Newsletters/Issue1> (Accessed 22 May 2008)
47. <http://www.ceta.org.za/sectorskillsplan/chapter> (Accessed 22 May 2008)
48. <http://www.ftc.gov/bcp/franchise> (Accessed 6 September 2008)
49. <http://www.gdrc.org,uem/capacity-define.html> (Accessed 6 June 2007)
50. <http://www.google.com> (Accessed 6 September 2008)
51. <http://www.iso.org> (Accessed 6 August 2008)
52. http://www.magementhelp.org/org_perf/capacity.htm (Accessed 6 June 2007)
53. <http://www.newrules.org/retail/formula> (Accessed 2 December 2007)
54. <http://www.petitions.pm.gov.uk/franchise-law/> (Accessed 6 September 2008)
55. <http://www.saga.org.za><http://www.newrules.org/retail/formula> (Accessed 22 May 2008)
56. <http://en.wikipedia.org/wiki/Franchising> (Accessed 6 September 2008)
57. <http://www.wikipedia.org/wiki/Benchmarking> (Accessed 12 April 2008)
58. http://www.wikipedia.org.org/wiki/capacity_building (Accessed 12 April 2008)
59. <http://www.wikipedia.org.org/wiki/Entrepreneurship> (Accessed 12 April 2008)
60. <http://www.wikipedia.org.org/wiki/Management> (Accessed 12 April 2008)
61. http://www.wikipedia.org/wiki/Supply_chain (Accessed 3 March 2008)

QUESTIONNAIRE

This questionnaire is targeted at emerging contractors, project managers and inspectors in the area of _____ municipality. The aim of the survey is:

- To gather information relating to capacity building of contractors in relation to performance of work on construction projects; and
- To inform management decisions relating to various contractor support programmes.

Confidentiality

- No personal information will be made available to third parties; and
- No personal information will be made available to any business or used for commercial gain

SECTION 1 - PERSONAL DETAILS

1.1 Age

18 -21	21 - 30	31 - 40	41 - 50	51 +
--------	---------	---------	---------	------

1.2 Gender

Male	Female
------	--------

1.3 Experience in years as a contractor

0 - 2	3 - 5	6 - 10	11 - 15	16 +
-------	-------	--------	---------	------

1.4 Are you registered with the CIDB?

Yes	No
-----	----

1.5 If yes, what is your CIDB Grade?

1	2	3	4	5	6	7	8
---	---	---	---	---	---	---	---

1.6 Are you registered with the NHBRC?

Yes	No
-----	----

SECTION 2 - COMMON FAILURES OF CONTRACTORS

2.1 Has any of your project(s) ever failed in the last five years?

Yes	No
-----	----

If yes, please specify and indicate the number of instances where such failures resulted in complete collapse and cancellation of contract.

2.2 If yes, in which elements did the project fail?

Time	Cost	Quality
------	------	---------

2.3 If yes, what were the causes of (or reasons for) such failure?

Performance area	Non-existent	Poor	Inadequate	Misused
Business planning				
Project planning				
Cash flow management				
Business management				
Project management				
Site supervision				
Business systems				
Access to bridging finance				
Access to Material supplier credit				
Paying employees on time				
Payment by government on time				
Quality of estimating and tendering				
Quality of workmanship				
Skills of artisans				
Experience of contractor				

2.4 If other, please specify

SECTION 3 - COMPETENCE (KNOWLEDGE AND SKILLS)

What level of knowledge and skills have you acquired in the following areas?

3.1 Basic education: highest standard passed

Below Std 6 / Grade 7	Matric or Grade 12	National Diploma	Degree and above
--------------------------	-----------------------	------------------	------------------

3.2 Entrepreneurship

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.2 Estimating and Tendering

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.4 Strategic management

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.5 Risk management

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.6 Business management

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.7 Financial Management

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.8 Construction technology

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.9 Construction supervision

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

3.10 Coaching and mentoring

None	Certificate	National Certificate	National Diploma	Degree and above
------	-------------	----------------------	------------------	------------------

SECTION 4 - BUSINESS ORGANISATIONAL DEVELOPMENT

Please indicate the existence, quality and/or functionality of the following elements of your business.

4.1 What is your level of knowledge of the **construction industry legislation** directly affecting your business?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.2 Does your business have **Marketing Strategy** and how good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.3 Does your business have **Corporate Strategy**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.4 Does your business have a **functional Organisational Structure**?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.5 Does your business have Policies and procedures. How good are they?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.6 Does your business have Standard **Documentation System**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.7 Does your business have **Human Resource Management Systems**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.8 Does your business have **Financial Management Systems**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.9 Does your business have **Information Management Systems**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.10 Does your business have **Asset Management Systems**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

4.11 Does your business have **Quality Management Systems**. How good is it?

Non-existent	Poor	Fair	Good	Excellent
--------------	------	------	------	-----------

SECTION 5 - GOVERNMENT INTERVENTION (State Enterprises)

Question	CIDB	CETA	SEDA	IDC	NURCHA	NHFC	SHF	NHBRC
1. Do you know these state organisations?								
2. Do you understand the purpose and role of these state organisations?								
3. Do you think these state organisations can assist in the development of your business?								
4. Which of these state organisations have you approached for assistance?								
5. Do you currently benefit from services of these state organisation?								
6. Have you benefited from services of these state organisation in the last three years?								
7. Are these state organisations easily accessible to you?								
8. Can you please indicate the best three in customer satisfaction (eg 1, 2, 3, 4, 5)								
9. Can you please indicate the worst three in customer satisfaction (eg 1, 2, 3)								

SECTION 6 - EXTERNAL BUSINESS ENVIRONMENT

OPPORTUNITIES

6.1 **Tendering** - the following government departments offer **adequate tendering opportunities** for emerging contractors:

6.1.1 Department of Public Works - All types of construction

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.1.2 Department of Housing - Houses and civil infrastructure

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.1.3 Department of Health - Clinics

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.1.4 Department of Roads and Public Safety – Roads

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.1.5 Municipality

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------



6.2 **Payment** – The following government departments **do not pay** emerging contractors **on time** (ie within 30 days of certification of work done):

6.2.1 Department of Public Works - All types of construction

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.2.2 Department of Housing - Houses and civil infrastructure

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.2.3 Department of Health - Clinics

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.2.4 Department of Roads and Public Safety – Roads

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

6.2.5 Department of Correctional Services - Maintenance of facilities

Strongly Agree	Agree	Disagree	Strongly Disagree
----------------	-------	----------	-------------------

SECTION 6 – FIVE MOST IMPORTANT SUGGESTIONS FOR GOVERNMENT INTERVENTION TO BE EFFECTIVE

Please mention five most important suggestions for improving government empowerment efforts

1. Suggested action

Desired outcome of the action

Who should do action (responsibility)

2. Suggested action

Desired outcome of the action

Who should do action (responsibility)

3. Suggested action

Desired outcome of the action

Who should do action (responsibility)

4. Suggested action

Desired outcome of the action

Who should do action (responsibility)

5. Suggested action

Desired outcome of the action

Who should do action (responsibility)
