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# **CONTRACTORS' PERCEPTIONS OF CONTRACTOR DEVELOPMENT PROGRAMMES IN SOUTH AFRICA**

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## **ABSTRACT**

### **Purpose:**

The prime objective of contractor development programmes (CDP) is to assist Small Medium and Micro Enterprises (SMMEs) to improve their management skills and performance levels to that of established firms. However literature informs that some of these programmes have not achieved their intended objectives with one of the causes of this failure being the mismatch between contractors' expectations and what is being offered as a development programme. Contractors have highlighted some gaps in the programmes which if addressed could assist in eliminating some of their concerns.

### **Design/Methodology:**

A desktop study was conducted on contractors' perceptions of some development programmes in other countries and the perceived gaps compared and ranked according to their presence in the countries.

**Research limitations/implications:**

This study presents findings from a review of literature and constitutes the first phase of an empirical research on contractors' perceptions of contractor development programmes in South Africa.

**Findings:**

The study revealed that contractors generally perceive the programmes as being beneficial to their development however they need to be consulted in identifying the gaps in these programmes for their successful implementation.

**Response to conference theme and outcomes:**

This study raises awareness on the importance of involving contractors in the evaluation of contractor development programmes.

**Practical implications:**

The study evaluates how contractors' perceive these CDPs and will assist in guiding stakeholders of the need to modify the programmes to meet their objectives. The findings of this study will be compared to an empirical study to be conducted in South Africa which will help in re-modelling of the contractor development programmes.

**Originality/value:**

The study will enable training stakeholders to improve the quality of the programmes for their successful implementation.

**Keywords:** Contractor development programme, Small Medium and Micro Enterprises, perceptions, gaps, South Africa

## 1.0 INTRODUCTION

Contractor Development Programmes (CDP) can be traced back to 1995 when the National Department of Public Works (NDPW) introduced programmes aimed at assisting contracting organisations owned by Previously Disadvantaged Individuals (PDI) develop their technical and managerial skills to enable them compete with established construction firms (NDPW,2004:3).

Subsequently, most provincial governments established contractor development programmes with the same objectives as that of the NDPW. The configuration and the implementation of some of these programmes have been widely researched such as the, Contractor Development Programme (CDP) (CIDB, 2011:1-35), South African Construction Excellence Model (SACEM) (Dlungwana, et al, 2002:1-8), Integrated Emerging Contractor Development Model (IECDM) (Hauptfleisch, et al, 2007:1-13).

However there appear not to be enough reports on the effectiveness of these CDPs and whether they are beneficial to the end users. And as Jacquet (2002:7) observed:

*“the greatest challenge that exist today in South Africa lies at the fact that no data is available on how effective interventions are, whether they are achieving successes, and which sector require most assistance”.*

Literature reviewed, seems to indicate that there are not much assessments done on the outcomes of these training programmes in South Africa although much need to be done (CIDB, 2009, i). This problem does not affect developing countries alone, in a study conducted by the Organisation for Economic Co-operation and Development (OECD) in 2002, it was found that only the United Kingdom (UK) and Japan had evaluated the outcomes of their training programmes (OECD, 2002:17), though this process is very important as it informs future improvements to the programmes. This study therefore seeks to investigate contractors' perceptions of programmes.

## **2.0 THE STUDY**

A desktop study on contractors' perceptions of development programmes in other countries was conducted, their perceived gaps identified, compared and ranked as per their occurrences. The study also constitutes the first phase of an empirical research on contractors' perceptions of contractor development programmes in South Africa.

### **3.1 CONTRACTOR DEVELOPMENT PROGRAMME**

#### **3.2 Why train SMME contractors?**

The importances of Small Medium and Microenterprises (SMMEs) have been well researched all over the world. The World Bank (2003:3-4) observed that SMMEs are important as they contribute to economic growth of countries, are essential for a competitive and efficient market, are critical to poverty reduction and playing a particularly important role in developing nations. According to the World Bank (2003) Russia's SMMEs accounted for 90% of the total number of firms, 45% of total employment and 40% of total sales in the economy. The Chinese economy was not different according to the report, as SMMEs accounted for 99.9% of the total firms, 84% of the total employment and 71% of total sales of the economy (World Bank 2003:6-8).

SMMEs in the construction industry are equally significant to most economies. For instance in Sri Lanka, the construction industry contributed almost 8% to the Gross Domestic Product (GDP) (Chamber of Construction Industry Sri Lanka, No date: 2), whereas in South Africa, the construction industry contributed almost 4% to the GDP in 2012 (Industry Insight, 2012:17), in Palestine, the construction industry contributed about 26% to

the country's economy in 2000 (Mahamid, 2011:1) and in Ghana the industry contributed about 10% to the GDP (Mhango, 2010:2).

Generally, the construction industry contributes about 5 to 10% of GDP in all countries, employs up to 10% of the working population and is responsible for about half of the gross fixed capital formation (Ofori, 2012:5).

However, these SMMEs are very fragile especially at their start-up stage and are likely to "die" before their maturity stage (OECD, 2002:7). OECD (2002) observed that smallest firms in the OECD hardly survive beyond five years of their existence and in Malaysia only 10% of start-up businesses survive beyond the tenth year (Sin et al, 2010:14).

Training programmes have been proven to assist the survival of firms as *"the balance of evidence indicates that formal training and development cuts failure rate by half in the UK – all other things being equal"* (OECD,2002:8).

CIDB (2009: i) reiterated that *"there are several instances where contractors have increased their CIDB grading by three or four grades during or subsequent to their participation in the CDPs"*.

### **3.3 Challenges facing SMME contractors**

With all the benefits and the importance of SMMEs in the construction industry as observed in the previous section, there still remain several challenges facing this sector of the industry. The Construction Industry Development Board (CIDB) South Africa (2011:5-8) identified a number of challenges impacting on SMMEs which include inter alia:

- Lack of business and financial skills;
- Financial constraints and limited access to funding, trade credit and performance bonds;
- Late payment by clients impacting on contractor cash-flows, causing delays in the completion of projects and eroding their profits margins. This also ties up working capital, and encourages corruption;
- High turnover among skilled workers owing to uncertainties in job opportunities;
- The fragmentation of the construction process has an adverse effect on the overall performance of the industry;
- Short term nature of the work which makes it hard to develop and implement long-term strategies and growth plans;
- Officious or overly complicated contract award and contract administration procedures;
- Intense competition, especially in lower scales of construction enterprise, and difficulty in competing with larger construction firms;
- Insufficient resources to provide a safe and decent working environment such as protection, equipment and attire;

- Lack of professional advisors and consultants, and where these were available the reluctance to use them due to perceived expensive fees, a lack of finance or awareness;
- Lack of capital equipment such as vehicles, heavy machinery or scaffolding;
- Uncertainties in supplies and prices of materials, allied with generally non-existent or poor relationships with suppliers;

These challenges may lead to low productivity, poor quality workmanship, and low delivery of construction projects in the South African construction industry (CIDB, 2011:6 - 8).

### **3.4 Objectives of development programmes**

Different countries have different objectives for the design and implementation of their development programmes. Malaysia's development programme according to Ofori (2012:10) is to develop the country's construction industry into a world-class, innovative, knowledgeable global solution provider.

While Singapore's Construction 21 initiative was designed to improve the productivity of the industry by reinventing its processes, procedures and practises (Ofori, 2012:8) The development programme designed by the Contractors Registration Board (CRB) in Tanzania was targeted at curbing the skills and knowledge gap between local and international contracting firms and thereby also improve the ability of local contractors to perform at optimum levels (Uriyo and Jere, no date: 1).

The CDP training objectives in South Africa as recorded by CIDB (2011:5-6) includes among others, the improvement of the contractors' overall performance in the economy, to empower local contracting firms to compete with their international counterparts, to provide opportunity for emerging contractors' to develop their firms, to improve and sustain the performance of rural contractors and to encourage and empower contracting firms owned by people with disabilities, women and youth.

## **4.1 FINDINGS**

### **4.2 Development Programme - Tanzania**

The Tanzanian Construction Registration Boards (CRB) as stated by Uriyo and Jere (No date: 2-15), introduced a Sustainable Structured Training Programme (SSTP) in 2001 with the aim of assisting local contractors bridge the skills and knowledge gap and to increase the capacity of local contractors participating in infrastructure development, refurbishment and maintenance. The programme was initiated when 38% of potential clients and 42% of contractors surveyed requested for training programmes (Uriyo and Jere, No date: 2). The training's objectives were to address contractors' low technical and managerial capabilities, inability to breakthrough into high

grades, failure to acquire modern tools, and their inability to access credit facilities.

Uriyo and Jere (No date) further explained that the training comprised of a 5 day period modules covering, pre-contract practise, contract management, construction planning, plant and equipment maintenance and health and safety where contractors' were required to complete six modules per year. The cost of training was highly subsidised with the CRB taking about 70% and the participating contractor paying about 30%.

#### **4.2.1 Outcome of the programme**

Assessing the outputs of the SSTP, Uriyo and Jere noted that, within 7 years of its inception, 2,071 contractors were trained as compared to the budgeted 1,620 contractors.

Further, the annual client feedback report indicated a decline in complaints of contractors' lack of knowledge and skills within the period of the SSTP and there was also a reduction in the complaints related to the use of unqualified persons on projects.

The contractors' generally perceived the training as a success. However they noted some shortfalls of the programme which needed to be addressed (Uriyo and Jere, No date: 4).

#### **4.2.2 Perceived gaps of the programme**

The following were the gaps that contractors suggested to be attended to; (i) that the training be made mandatory to all contractors, (ii) contractors must go through Continues Professional Development (CPD) - (continues mentoring), (iii) more emphasis must be on addressing artisans and technicians skills gap, (iv) training should be relevant and responsive to industrial needs, (v) contractors require more training in Rate-build-up, (vi) mentorship and apprenticeship must be encourage to enhance competency (vii) continues monitoring of programmes to ensure effectiveness, (viii) there must be different training programmes for different levels of firms and (ix) there must be a sufficient pool of resource persons to sustain knowledge transfer, (Uriyo and Jere, No date: 5-15).

#### **4.2 Development Programme - Palestine**

Enshassi and Shaath (2007) in evaluating the International Labour Organisation's (ILO) Arabic version of the Improve Your Construction Business (IYCB) methodology in the Gaza Strip, noted that the aims of the programme was to assist smaller construction firms to improve their managerial skills in areas such pricing, submitting tenders, financial management, contract administration and marketing of construction work (Enshassi and Shaath, 2007:43). It was also indicated that, the IYCB programme consisted of a three handbooks and workshop series that

tackled topics such as (i) *pricing and bidding* (ii) *site management* and (iii) *business management*.

The implementation was in two phases; with phase one being the training of the Trainers (TOT) and phase 2 the training of selected construction companies' managers and owners, with each training model lasting for about three months.

#### **4.2.1 Outcome of the programme**

Enshassi and Shaath, (2007:52) observed that majority of the contractors have benefitted greatly from the IYCB handbooks and workshops and were content with the models as they were able to implement some of the new methods taught.

#### **4.2.2 Perceived gaps of the programme**

The contractors noticed some of the following as the gaps of the programme that needed the attention of the implementing stakeholders; (i) that the duration of the training programme is too long and be shorten, (ii) that the Arabic translation needs to be reviewed (iii) that the books be made more practical than theoretical (iv) there should be different training for different levels of contractors (v) that the books be adjusted to suit the conditions of the Gaza Strip and the West Bank.

### **4.3 Development Programme – Sri Lanka**

Gamage (2003:145) mentioned that a formal training intervention termed "how to begin an industry" which was aimed at developing entrepreneurs in Sri Lanka commenced in 1987. It was further elaborated that the programme consisted of a 12 day model that was spread over a period of 6 weeks by the Chamber of Commerce and Industry. The programme was financed by the Asian foundation with a focused on providing knowledge of business and development linkages with institutions and individuals, and was implemented by several governmental, non-governmental and private sector agencies.

#### **4.3.1 Outcome of the programme**

Gamage (2003) identified that even though they performed better than their untrained counterparts; the performance of the trained entrepreneurs is not satisfactory enough. It was nonetheless observed that the few trainees who have entrepreneurial qualities and took the initiative succeeded in their businesses.

He concluded that the attempts made to improve the entrepreneurial skills did not produce the right results (Gamage, 2003:146).

### **4.3.2 Perceived gaps of the programme**

The following were noted by the trainees as being the hindrance to the success of the programme; (i) there should be a systemic follow up action after training, (ii) there must be a continues mentoring of trainees on graduation, (iii) training had longer durations, (iv) training had high theoretical content and must be made practical (v) training modules be based on local expertise, (vi) indigenous entrepreneurship experience be integrated in the training and (vii) there must be different training programmes for different levels of entrepreneurship (Gamage, 2003:147-149).

### **4.4 Development Programme – OECD Countries**

OECD (2002:5) indicated that in a study conducted by the Organisation for Economic Co-operation and Development (OECD) countries which comprises of the United Kingdom (UK), United States (US), Germany, Japan, Canada and Finland to assess their various training programmes, it was only the UK and Japan that did evaluate their training outcomes.

#### ***United Kingdom (UK)***

According to OECD (2002) three Small-scale schemes were adopted by the UK to provide public funds to support schemes that provided training to small enterprises.

The Small Firms Training Loan Schemes (SFTL) established by the Department of Education allowed authorised banks to provide loans to SMMEs to pay for the training of their workforce and managers. A low interest rate of about 2% was levied on this loan which saw 346 Small Firm Training Loans being made between 1994 to 1998. (OECD, 2002:15).

(OECD, 2002:15) again stated that the Golden Key Package was established with the aim of promoting the financial management skills of small businesses through a training programme around the Norwich area, after a research revealed that about 80% of firms in the area failed. Loans were provided to graduates of the programme at a discounted interest rate and also served as financial incentives for the small firms to attend the five “Three-hour” evening sessions spanning two and half weeks.

The Small Firms Enterprise Development Initiative (SFEDI) was established as a set of National common standards for SMME managerial competencies and a National Vocational Qualification (NVQ) in small business planning was awarded to participants. The qualifications were at different levels with start-ups and established business both targeted (OECD, 2002:16).



#### **4.4.1 Outcome of the UK programme**

The evaluation of the Golden Key scheme demonstrated that the excitement of clients was high and they believed their managerial skills have been promoted.

The trainees also rated the programme 4 out of 5, the presenters were rated almost 5 out of 5, 90% indicated that they will recommend the programme to others and 74% having their growth plan affected (OECD, 2002:18).

#### **Japan**

Japan has a long history of SMME development programmes (OECD, 2002); these are implemented through local governments or the Japan Small Business Corporation (JSBC). Advice on business management are provided through an evaluation system ("SHINDAN") where production and technology analysis were done on the performance of SMME to introduce them to the improvement of the business environment. Consultants are employed to provide these training programmes to SMME firms, with the responsibility of selecting a consultant resting on the national government (OECD, 2002:14).

#### **4.4.2 Outcome of the Japan programme**

According to OECD (2002:18), Japan evaluated two of its programmes by questioning the participants about the rate of satisfaction of the training provided.

It was found that the trainees were highly satisfied and further shows that all the aspects of the training are highly regarded.

#### **4.4.2 Perceived gaps of the programme**

The following are some of the challenges emanated from the evaluation of the training programmes; (i) training programmes for start-up business must be separated from established SMEs, (ii) skills for current business be taught, (iii) training be targeted to those who need it, (iv) target training to specific groups, (v) provide training at local levels, (vi) reasonable times should be assigned to training, (vii) make greater use of electronic transfer in training, (viii) foster entrepreneurship through general education system (OECD, 2002:19-21).

### **5.0 ANALYSIS**

The perceived gaps of the programmes studied are analysed in the table below.

**Table 1:** Analyses of contractors' perceived gaps of training programmes

| Item  | Contractors' perceived Gaps   | Tanzania | Palestine | Sri Lanka | OECD |
|-------|---|----------|-----------|-----------|------|
| i.    | Continuous Professional Development (CPD) – Mentoring of contractors after graduation | X        | X         | X         | X    |
| ii.   | Bridging the skill shortage gap between start-ups and established firms               | X        | X         |           | X    |
| iii.  | Training to be adopted to specific area   | X        | X         | X         | X    |
| iv.   | Different training requirements to be adopted to different levels of contractors      | X        | X         | X         | X    |
| v.    | Training cost must be reasonable  | X        |           | X         | X    |
| vi.   | Training should be relevant and responsive to industrial needs                        | X        | X         | X         | X    |
| vii.  | Duration of the training programme should not be too long                             | X        | X         | X         | X    |
| viii. | Training to be more practical   | X        | X         | X         | X    |
| ix.   | Graduates must be assisted even after graduation in acquiring services                | X        | X         | X         | X    |
| x.    | Training should be Electronically delivered   |          |           |           | X    |
| xi.   | Prompt payment to contractors should be encouraged                                    | X        |           |           |      |

The result of the analysis portrays the common factors contractors perceived as lacking in the various training programmes that requires the attention of all stakeholders. It should be observed that most of the gaps emerged in most of the study areas as per items (i),(iii)(iv),(vi),(vii),(viii) and (ix), with items (ii) and (v) emerging in three areas while items (xi) and (x) show up only once.

## 6.1 CONCLUSION

It is relevant to note that contractors have their own perception and expectation as to how contractor development training programmes should be designed, structured and implemented.

It can be deduced from the study that contractors do not see these training programmes as waste of time but as being beneficial to their businesses.

However they would like certain aspects of training to be revised to ensure its successful implementation. These factors as depicted in Table 1 include;

- The adaptation of the programmes to suit the geographic areas of its implementation.
- The adaptation of different training objectives for different levels of contractors.
- Training should be relevant and responsive to industrial needs.
- Training programmes must have shorter durations.
- Training to be more practically oriented.
- Graduates to be mentored even after graduation.
- A continuous contractor development programmes must be inculcated.
- The cost of training should not be too high.
- And training programme to be delivered electronically.

It is consequently recommended that assessments of the outcomes of these development programmes be undertaken regularly to ascertain the extent to which contractors perceive them, and whether they have assimilated what the training was set out to achieve.

Finally, it should be noted that this study is only a desktop study which constitutes the first part of a pragmatic research on contractors' perceptions of contractor development programmes in South Africa.

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