

Development of construction small, medium and micro enterprise: a case of the Gauteng province construction industry, South Africa

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Abstract — *This exploratory study investigated ways to improve the development of construction Small, Medium and Micro Enterprises (SMME) in the Gauteng province of South Africa. The data for this paper was collected from both primary and secondary sources. The primary data was acquired through the administration of structured questionnaires. The questionnaire was distributed to construction SME firms in the Gauteng Province construction industry. The questionnaire was designed based on information emanating from an extant review of literature. Out of the 140 distributed questionnaires, 120 were received back which represented 86% response rate. Findings from the questionnaire analysis revealed that the most recommended solutions for the further development of construction SMMEs by the SMME construction firms in the Gauteng Province of South Africa are; having the necessary education / skills / qualifications; attending leadership training courses; availability of financial benefits, rewards and incentives; adapting practices of current larger construction companies; and learning new skills that will enhance the firms capabilities. The paper provides relevant recommendations to policy makers, development agencies, entrepreneurs, and SMME managers to ascertain the appropriate strategy to improve the SMME sector in the South Africa construction industry. The findings escalating from this paper will form a basis for future research on construction SMMEs in South Africa.*

Keywords— *Construction SMMEs, development of SMMEs, South Africa SMMEs*

1. INTRODUCTION

All forms of governments have high expectations for the growth of SMEs, but unless these desires are congruent with the goals and aspirations of the owners and entrepreneurs, these visions will not be attained [1]. It is frequently emphasized that SMMEs performance, are interrelated with the economic performance of a country. SMMEs especially those that operate in the construction sector are an important contributor to the economy and are considered a driver for reducing unemployment in

South Africa as defined by the National Credit regulation Act; given that the formal sector continues to shed jobs when business transaction are not favourable [2]. SMEs play a crucial role in national development and to reflect its recognition towards economy development, federal governments must make good small business policy as their number one priority; it has to put up solid steps in place to ensure they are able to grow and prosper profitably [3]. The construction industry in South Africa has experienced a decade of mixed circumstances, with the drop in private projects due to recession and an explosive increase of infrastructural projects thereafter particularly by the spending of the government in preparation for the 2010 FIFA World Cup. Notably the development of SMMEs in the South African construction industry not only strengthens the economy but also results in improved construction infrastructure quality. More generally, the development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation [4].

The development of a collection of highly skilled, proficient and sustainable contractors for the construction sector is vital to the industry and the economy. An empowering environment, the availability of procurement opportunities and technical, management and financial support for the contracting entities should be promoted to attain such contractors. The promotion of SMMEs in the construction industry would mean that greater numbers of workers would be employed there and an increased employment of labour would in turn increase the scope for the generation of skills and knowledge in the South African economy. While the loss of an individual SMME may not cause a significant impact on the local economy in terms of the earnings it generates or the number of people it employs, the collective losses of a number of small businesses from a weather extreme may devastate a local economy [5].

Apart from policies many countries have a vast amount of programmes they put in place to assist SMMEs

in critical components of their enterprises, for instance managerial skills, leadership training, marketing, procurement and finances with the main goal of empowering these construction SMMEs. Notably Ofori and Toor [6] states that on many national contractor development programmes, the package of assistance offered depends on the needs of the target beneficiary SME, mentoring is one of the arrangements ;The SME entrepreneur is placed under the tutelage of an established contractor with the training and even mentoring, focusing on the development of technical and managerial expertise. Additionally Munusamy [7] points out that several areas for growth have been identified within the construction and related services sectors, areas such as entrepreneurship skills training, linkage of SMMEs and Larger firms, technology and innovation. Entrepreneurship programmes related with advisory and outreach services are expanded to equip SMEs with new and improved management and business practices methods in production, quality improvement and marketing and distribution. For instance the Italian Government provides a curriculum on entrepreneurial skills development as a vocational course to their citizens, which enables them to start SME units and contribute to the economic and social development of the country where else Japan has SME support centres which provide over the counter consultation, on-site professional assistance, business feasibility assessments and information services and similarly South Korea has business incubators to increase management skills of women entrepreneurs [8]. In the same view the government of Botswana acknowledges that even though suitable initiatives should be in place to encourage foreign investments in the country hence they necessitated the need to empower the local entrepreneurs at the same time by ensuring they compile a policy for Small, Medium and Micro Enterprises to encourage entrepreneurship from locals within their borders.

Hence the EXIM bank of India: Research Brief [8] found that the Czech Republic has a Techno Programme to support research, development and innovation in SMEs by accelerating their rate of technology acquisition through realisation of R&D projects, whilst South Korea has established international cooperation programmes to strengthen competitiveness through technology transfer. Chinese government also assists SMEs to improve their market access by helping them enhance their skills. Construction SMMEs require training on how to use technological innovation to improve their efficiency and simplify certain prospects of running the SMMEs. Due to its effectiveness in communication, organization prospects as well as estimation programmes, technology has become critical in the operation of any construction enterprise. SMEs to link with large construction companies to form a strong domestic sub-contracting base to secure contracts locally and overseas furthermore the use ICT to stimulate growth of techno-preneurs and

SMMEs also improving the development of skills amongst SMEs especially in generating innovation and creating economic value from knowledge application.

It is evident that over the years many countries, have availed programmes to support the development of construction SMEs [6]. Various approaches have been taken by governments and banking institutions from around the world, with the aim of stimulating SMME growth and development. In the case of South Africa the existence of National contractor-development programme (NCDP) aims to create an enabling environment for selected existing contracting enterprises to develop into sustainable contracting enterprises with preference applied in the accessing of work so that enterprises owned and controlled by blacks, women and disabled persons are advantaged [9].The support measures include access to mentorship, financial support, information and other development support that would be relevant for contractor development. In the past few years, the South African National Government prioritized construction SMMEs; they have awarded most projects to SMME construction firms, for example, schools, refurbishment in the Ministers offices at Union Buildings, police station projects, magistrate court projects, defence force facilities and many other projects however Small and medium and micro sized enterprises [6]. Construction contractors also receive assistance from the Construction Industry Development Board [9] for registration plus free training on business planning, modelling and marketing. Therefore, this exploratory study investigated ways to improve the development of construction Small, Medium and Micro Enterprises (SMME) in the Gauteng province of South Africa.

2. RESEARCH METHODOLOGY

A quantitative research design was used for the purpose of this study. The preferred research instrument used in this research for collecting data was a questionnaire that was delivered to small, medium and micro sized contracting firms around the Gauteng Province of South Africa targeted participants of this study were construction SMME owner-managers, usually positioned as project managers, construction managers, and quantity surveyors in the construction SMME sector of Gauteng, all registered with the professional associations in South Africa. The main reason being that these professionals are involved in these SMMEs operations on a daily basis and based on their experiences they are in better positions to analyze the factors they see as relevant to succeed and survive in the industry. The number of targeted firms was 140 firms. Out of the 140 questionnaires distributed to construction SMME within the grade 1-5, the researcher retrieved a total of 120 back, which represents an 86% response rate.

A. MIS (mean item score)

The questionnaire comprised of questions that had to be ranked from a 5-point Likert scale like that of the critical success factors, which ranged as follows; 1 = strongly disagree, 2 = disagree, 3 = Neither agree or disagree, 4 = Agree, 5 = Strongly Agree. The five-point scale was transformed to mean item score (MIS) for each of the critical success factors for survival of SMMEs as assessed by the respondents. The indices were then used to determine the rank of each item. The ranking made it possible to cross compare the relative importance of the items as perceived by the respondents. This method was used to analyze the data collected from the questionnaires survey. The mean item score (MIS) was calculated for each item as follows;

$$MIS = \frac{n1 + 2n2 + 3n3 + 4n4 + 5n5}{\sum N} \dots \text{Equation 1.0}$$

Where; n1 = Number of respondents for strongly disagree; n2 = Number of respondents for disagree; n3 = Number of respondents for neutral; n4 = Number of respondents for agree; n5 = Number of respondents for strongly agree; N = Total number of respondents. After mathematical calculations, the criteria are then ranked in descending order of their mean item score.

The data collected from the respondents were coded, edited and recorded into the Microsoft Excel software program. It was then imported into Statistical Package for Social Sciences (SPSS) a software program to convert it into a suitable format for analysis. The data was then interpreted in form of tables and graphs.

3. FINDINGS AND DISCUSSION

The study included 67% male respondents and 33% female respondents, with a majority of the respondents (26.8%) being within the age group of 41 – 50 years old, closely followed by respondents in age groups of 36-40 years and that of over 50 years with 25.6% and 20.7% respectively. The ethnicity in the study contains a majority of black Africans (54.3%) followed by (23.5%) whites. The majority of respondents' highest educational qualification were baccalaureate degree (39%) followed by post matric diploma (32.9%), and the minority were (1.2%) doctorates degree. With accordance to the CIDB grading standards, respondents were asked to highlight their grade, 43.9% majority were grade 4 contractors followed by 29.3% which were grade 3 contractors.

Table 1: Factors of SMME development improvement in South Africa

Factors of construction SMME development	N / Frequency	Rank (R)
Having the necessary education / skills / qualifications	N=69 (84.1%)	1
Attending leadership training courses	N=58 (70.7%)	2
Financial benefits, rewards and incentives	N=57 (69.5%)	3
Adapting practices of current larger construction companies where possible	N=52 (63.4%)	4
Learn new skills that will enhance capability.	N=42 (51.2%)	5
Receiving mentorship from current large construction enterprises	N=41 (50%)	6
Attending leadership training courses	N=38 (46.3%)	7
Taking responsibility for one's decisions	N=38 (46.3%)	8
Being exposed to new experiences and new challenges	N=3 (3.7%)	9

Table 1.0 discloses the respondents' rankings of factors that can assist in further development of construction SMMEs. Findings attained indicate that the most selected was having the necessary education / skills / qualifications with 84.1% selecting this factor (N=69; R=1). 70.7% of all respondents regard attending leadership training courses as a major factor to the development of SMMEs (N=58; R= 2); 69.5% of all respondents also chose availability of financial benefits, rewards and incentives as a major player in the development and growth of SMMEs (N=57; R=3). Adapting practices of current larger construction companies where possible was amongst the top selections with 63.4% of all respondents selecting this factor (N=52; R= 4). Moreover 51.2% of all respondents chose learning new skills that will enhance capability as being critical to the development of construction SMMEs (N=42; R= 5).

This findings are in agreement with Bolden [10] which emphasises the importance of leadership in organisations of all sizes and the pressing need to improve leadership development in SMMEs in particular. Also similar to the findings Anga [11] found that it is necessary that the owner/manager and other key personnel in SMEs attain an acceptable level of education in order to drive SMEs activities. However, in Ghana for instance, they have qualified personnel but there is an apparent mismatch between the skills output of tertiary institutions and the skills demand of labour market: this findings being based on a 2002 report by the National Council for Tertiary Education in Ghana and the World Bank that revealed that there were serious gaps between supply and demand as far as relevance of graduates was concerned. Additionally CITB-Construction Skills told the London Economy Committee that London has skills shortages in

specific occupations, particularly glaziers, plasterers, dry-liners and building envelope specialists, with inadequate training provision in London for these areas (London EC 2013).

4. CONCLUSION

The objective of the study was to recommend ways for construction SMME development in the South African construction industry. The literature reviewed reveals the need to for leadership skills development and the necessity that the owner/manager and other key personnel in SMEs should attain acceptable level of education in order to drive SMEs activities. Findings of the questionnaire survey reveal that the most recommended solutions for the further development of construction SMMEs in Gauteng Province of South Africa were; having the necessary education / skills / qualifications; attending leadership training courses; availability of financial benefits, rewards and incentives; adapting practices of current larger construction companies; learning new skills that will enhance capability. Thus it can be recommended that a culture of evaluating the impact of the available initiatives for SMMEs on an annual bases per province and further promotion of the SMME and entrepreneurship policies and programs to achieve a favourable environment for both the large contractors and the SMME contractors. It is also recommended that larger enterprises in construction should link to /adopt at least five SMMEs, to allow for skills transfer. Skills that can be transferred between the two can be financial knowledge such as tendering, cash-flow management, and preparing payment claims; managerial knowledge including resource management, record keeping, time and performance management, health and safety management, technology transfer assimilating with construction techniques, materials or equipment hiring.

5. ACKNOWLEDGEMENTS

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