

**An Exploratory Study into the Challenges Facing the Emerging Contractors Involved in the Construction of Low Cost Housing in Wells Estate and Ikamv'elihle Townships in the Nelson Mandela Metropole, South Africa.**

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**Abstract**

The construction industry is an important player in the economy of South Africa. In 1999 the construction industry contributed approximately 35 % of the total gross domestic fixed investment and employed 230 000 employees [1]. The South African government is the single biggest construction client, making up between 40 % and 50 % of the entire domestic construction expenditure [2].

Notwithstanding, the emerging contractors face some serious challenges in their endeavour to deliver the infrastructure projects effectively. Among other construction industry challenges, there has been a sharp decline in employment over the last 20 years, a steep decline in gross domestic fixed investment (GDFI), slow delivery due to poor capacity, low productivity and poor quality workmanship, and low profit margins for contractors.

Emerging contractors are reportedly beset with a prevalence of client dissatisfaction [3]. Considering that client satisfaction is the crucial variable underpinning current and future prospect in the building industry, it is necessary to investigate the challenges facing the emerging contractors.

The primary objective of this research was to investigate the challenges facing the emerging contractors involved in construction of low cost housing at Ikamv'elihle and Wells Estate in the Nelson Mandela Metropole. The study looked, amongst others, at areas such as business leadership, business strategy and planning, customer and market focus, people management, resource and information management, business processes, customer satisfaction, supplier and partnership performance, business results as well as health and safety issues.

## 1 Introduction

Over half of the nearly 40 million people who live in South Africa are currently urbanized. Increased urbanization, from natural urban population growth and migration from rural to urban areas is expected to continue and will result in dramatic increases in housing shortages. Metropolitan areas are expected to absorb most of this growth.

Apartheid influenced South African settlement patterns in profoundly inequitable ways and imposed enormous costs on mobility between rural and urban areas and within urban areas. Municipalities play a key role in transforming settlement types and addressing some of the existing distortions.

Local government is responsible for the provision of household infrastructure and services, an essential component of social and economic development. This includes services such as water, sanitation, local roads, stormwater drainage, refuse collection and electricity. Good basic services, apart from being a constitutional right, are essential to enable people to support family life, find employment, develop skills or establish their own small businesses. The provision of household infrastructure can particularly make a difference to the quality of life of the South African citizens.

The reality for the construction industry in South Africa is that it is characterized by extensive subcontracting; temporary and insecure employment and poor working conditions [4]. In South Africa there is a scarcity of recorded information concerning markets for, and conditions of, employment for 'informal' 'casual' labour in the industries within the construction sector. However, it is known that they exist and that their numbers are increasing. It is estimated that more than 50 % of the workforce in the construction industry in South Africa are either casual, temporary or fixed-term workers [5].

Under the apartheid laws such as the Group Areas Act, groups within the construction industry became racially homogenous [6]. Consequently, the majority of Coloured people are artisans, whilst Black people are marginalized in terms of education and skills and as a result remain as labourers. The Reconstruction and Development Programme (RDP) was established to eradicate the effects of apartheid with skills development and training of the previously disadvantaged persons [7].

A further vexing problem facing the construction industry in South Africa is that of productivity and output. Official statistics and other independent research indicate that productivity and output quality in the South African construction industry have fallen significantly since the early 1970s, while health and safety (H&S) conditions showed little improvement [8]. To this end, the South African construction industry is reportedly beset with prevalence of client dissatisfaction.

## 2 Aims of the Research

The preamble to the White Paper on Housing published in 1994 states:

Housing the Nation is one of the greatest challenges facing the Government of National Unity. The extent of the challenge derives not only from the enormous size of the housing backlog and the desperation and impatience of the homeless, but stems also from the extremely complicated bureaucratic, administrative, financial and institutional framework inherited from the previous government. The White Paper encapsulated the principles, goals and strategies for housing development in South Africa. In 1997 these policies were transformed into legislation in the form of a Housing Act (107 of 1997). The key goals identified in the Act are:

- To construct 1 million houses in 5 years;
- To establish and maintain habitable, stable, and sustainable public and private residential

environments;

- To create viable households and communities;
- To ensure that housing developments are both economically and socially sustainable;
- To promote integrated development, prevent urban sprawl and redress the historically distorted racial and spatial patterns of towns, cities and rural areas.

The Constitution of South Africa states that when organs of state contract for goods, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost effective. It further states that an organ of state can implement a procurement policy providing for the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination. This has led to the development of an affirmative procurement policy that uses procurement as an instrument of social policy in South Africa to affirm the changed environment, government's socio-economic objectives and the principles of the Reconstruction and Development Programme. This has led to the development of the targeted procurement policy. Targeted procurement is a system of procurement, which provides employment and business opportunities for marginalized individuals and communities and allows social objectives to be linked to procurement. This process provides the opportunity for participation by targeted enterprises that might not have the resources, capacity or expertise to perform contracts in their own right. With this system tenderers are required to complete on the basis of both product and the process.

The primary objective of this research was to investigate the challenges facing the emerging contractors who were involved in the construction of low cost houses at Ikamv'elihle and Wells Estate townships in the Nelson Mandela Metropole. Ikamv'elihle and Wells Estate are new townships which are adjacent to Motherwell township. The researchers conducted research in these two townships because at the time of the study the emerging contractors were concentrated in these townships and it was easy to access them on the construction sites.

Apart from the demographic information of the business owners, the study looked, amongst others, in areas such as business leadership, business strategy and planning, customer and market focus, people management, resource and information management, business processes, customer satisfaction, supplier and partnership performance, business results as well as health and safety issues.

### 3 Research Design and Methodology

Both quantitative and qualitative research methodologies were employed in this study. In order to provide an accurate presentation of information face-to-face interviews with the owners of the construction firms were conducted [9]. Face-to-face interviews provide an opportunity to observe and verify practically the procedures in place [10].

A group of 6 trained postgraduate students from the Nelson Mandela Metropolitan University were used as fieldworkers. The fieldworkers asked questions beyond those included in the questionnaires. This was particularly aimed at gaining qualitative data. The strength of qualitative data is based on the fact that data collection is focused on naturally occurring, ordinary events in natural settings. Thus the data have a strong handle on real life, have richness and holism [11]. The questionnaires were designed together with the department of Construction Management at the Nelson Mandela Metropolitan University. The questionnaires were first tested with 10 emerging contractors in the Nelson Mandela Metropole in order to ensure that appropriate questions were included. After the testing phase the questionnaires were redesigned to meet the problems experienced during the testing phase.

Apart from the demographic details contained in the questionnaires, a section on a list of challenges experienced by the emerging contractors was included. The magnitude of these challenges were measured by means of a *likert scale* of 1 – 5 (***The ratings were as follows: (1) = strongly disagree, (2) = disagree, (3) = neutral, (4) = agree and (5) = strongly agree.***). A *likert scale* is the most popular type of scale in Social Sciences and is used to measure multi-dimensional attitudes [12].

Quantitative method was based on descriptive statistics. The analysis of variance technique (*ANOVA*) was used in order to test the existence of any significant relationships between the demographic characteristics of the emerging contractors and the problems and challenges facing the emerging contractors.

#### 4 Sampling method

A database of emerging contractors was obtained from the Nelson Mandela Housing Department and Progress Project Management Services in Port Elizabeth. The sampling method was purposive by nature. The advantage of purposive sampling is that it is economical in terms of time and financial expenses [13]. From a total number of 102 emerging contractors listed in the database, approximately 58 emerging contractors who were representative of the total population were surveyed. The fieldworkers interviewed the owners or the persons who were responsible for the construction firms.

### 5 Presentation of the empirical findings

#### 5.1 Demographic information

Table 1: Demographic information

Gender	%	n
Males	42%	28
Females	58%	30
Total	100%	58

More than half (58%) of the respondents were females. It is interesting to note that females play a dominant role amongst the emerging contractors in the Nelson Mandela Metropole (Table 1). This is in line with the procurement policy as stated in the White Paper on Housing.

Table 2: Age of respondents

Age	%	n
21- 30	14%	8
31- 40	43%	25
41 – 50	26%	15
51 - 60	17%	10
Total	100%	58

The highest percentage (43%) of the respondents were between 31 and 40 years of age. However, those who were between 41 and 50 years were approximately 26%, followed by those who were in the age group of 21 to 30 years (14%) and those who were between 51 to 60 years of age made up only 17%. None of the builders was above 60 years. In general, all the respondents were in their working age groups (Table 2).

Table 3: Respondents level of education

Levels of education	%	n
None	1%	1
Grade 9 –11	28%	16
Grade 12	33%	19
Above grade 12	38%	22
Total	100%	58

Approximately 1% (n=1) of the respondents intimated that he/she had no education at all, whilst approximately 28% (n=16) intimated that their level of education was between standard 7 and 9. Approximately 33% (n=19) had matric whilst the highest percentage (38%,n=22) intimated that they had post-matric qualifications such as N4 and National Diploma in Civil Engineering, certificates in construction and management diplomas. Generally, most of the respondents had been fairly exposed to formal education, at least high school education (Table 3).

Table 4: Respondents forms of business

<b>Forms of businesses</b>	<b>%</b>	<b>n</b>
Sole trader	69%	40
Partnership	9%	5
Private Company	7%	4
Close Corporation	10%	6
Family Businesses	5%	3
Total	100%	58

The study revealed that approximately 69% of the firms were Sole Traders whilst 10% were Close Corporations. Approximately 7% of the firms were Private Companies whilst 9% were Partnerships and the remainder (5%) were family businesses (Table 4). Establishing sole trading construction firms had some advantages for the emerging contractors. Firstly, the owners of sole trading firms did not have to undergo a complex application procedure required for establishing Private Companies and/or Close Corporations. Further, Sole Traders had the advantage of simple decision-making process as compared with private companies or Close Corporations.

Emerging contractors in the NMM are not keen to establish family businesses. Only a small percentage constitute family businesses. One of the respondents intimated that working with family members was problematic as family members “may not be interested in business”. This particular respondent preferred operating as a sole trader to family business. Nevertheless, family business issues vis-à-vis the other forms of enterprises fall beyond the scope of this study.

Table 5: Respondents period of operation

<b>Period of business</b>	<b>%</b>	<b>n</b>
Less than 5 years	74%	43
6 – 10 years	17%	10
11 – 20 years	6%	3
20+ years	3%	2
Total	100%	58

The majority (74%) of the emerging contractors in the NMM had been operating for a period of less than 5 years. Approximately 17% of the businesses were operating for a period of 6 to 10 years, whilst 6% were in business for a period of 11 to 20 years. Only 3% of the businesses were operating for a period exceeding 20 years (Table 5). It is clear that the majority of the emerging contractors in the NMM are new businesses.

Table 6: Employment levels and nature of employment

<b>Employment levels and nature of employment</b>	<b>%</b>	<b>n</b>
Employ family members	5%	3
Employ full-time workers	42%	24
Employ on casual basis	28%	16
Fixed term contracts	25%	15

Total	100%	58
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Approximately 42% of the emerging contractors employed their employees on full-time basis. The respondents were asked what these employees did when there was/were no project(s). They intimated that these employees waited for the next project and worked for the same employer. This scenario was mainly found amongst those firms who continuously had projects e.g. low cost houses in various townships of the Eastern Cape including Coega IDZ projects. Approximately 28% of the employees were casual workers. These workers had no job security but worked on a day to day basis. The employees who were on fixed-term contracts were approximately 25%. These workers were assured of the continuity of the project/s for at least a fixed term. After the term is complete, there were no further obligations between the employees and the employer (Table 6).

Table 7: Acquisition of construction skills

Acquisition of construction skills of the employees	%	n
From College	21%	12
Previous employer	35%	21
Apprenticeships	14%	8
Other	30%	17
Total	100%	58

Approximately 35% of the workers in the NMM emerging contractors acquired their construction skills from their previous formal employers in big construction firms. Approximately 21% of the workers acquired their skills in formal colleges whilst a small percentage (14%) gained their skills through apprenticeships. The remainder (30%) acquired their skills in construction industry through Building Industry Federation in South Africa (BIFSA), African Solution, East Cape Training Centre, Department of Construction Management at the University of Port Elizabeth and Technikon (Table 7). These results are significant in that the emerging contractors together with their employees are an investment in terms of their skills in the metro and that a potential for growth amongst them exists.

Table 8: Annual income of respondents

Annual incomes	%	n
Less than R100 000	88%	51
R100 000 – R200 000	7%	4
R200 000 – R500 000	5%	3
Total	100%	58

More than half (88%) of the respondents had an annual income of less than R100 000. Only a small percentage (2%) had annual income in excess of R1 million, whilst approximately 7% had annual income in the range of R100 000 – R200 000 and approximately 3% had annual turnover of between R200 000 and R500 000. The incomes of the majority of the emerging contractors in the NMM were low (Table 8).

## 5.2 Challenges facing emerging contractors in the Nelson Mandela Metropolitan

The construction firms were asked to rate their perceptions about how the following issues constrained the firms' ability to improve its business activity. A *likert* scale of 1 to 5 was used to assess the impact of these challenges. *The ratings were as follows: (1) = strongly disagree, (2) = disagree, (3) = neutral, (4) = agree and (5) = strongly agree.*

Table 9 : Challenges facing the emerging contractors

	Items	mean scores
1	Access and reliable information about contracts and tenders	2.5
2	Ability to develop long-term strategy	3.6
3	Ability of the company to compete with big construction companies	3.1
4	Extensive use of competitive tendering in construction contracts	3.0
5	The high number of unskilled employees in the company	2.6
6	Providing a safe and decent working environment for workers	3.1
7	High level of defects in the construction	2.0
8	Lack of incentives from government to encourage emerging contractors	3.9
9	Lack of professional advisors and consultants in the construction industry	3.8
10	Lack of access to funding from commercial banks	4.0
11	High start-up cost	3.5
12	Low level of client satisfaction	2.1
13	Employees are not motivated	2.3
14	Can't access projects bonded by formal commercial banks	3.5
15	HIV/Aids	2.1
16	Low productivity levels	2.6

17	Huge absenteeism of workers on construction sites	2.5
18	Access to information and technology	3.0
19	Pricing of your projects	3.0
20	Lack of experience in the construction field	2.5
21	Lack of capital equipment	3.5
22	Injuries on duty	2.1
23	Projects left incomplete	1.9
24	Poor location of the business	2.9
25	Gender issues	3.0
26	Racial issues	3.4
27	Increased competition	3.0
28	Lack of confidence in business by clients	2.0
29	Poor performance in construction work by employees	1.9
30	Too many dissatisfied customers	1.7
31	No co-operation from the suppliers	3.2
32	Too much focus on low prices at tender stage	3.0
33	Lack of management skills	2.7
34	Limited market size	2.9
35	Low demand for my services	2.6
36	Poor cashflow	3.9
37	High labour turnover	2.5
38	Poor labour relations	2.5
39	Insufficient knowledge of bookkeeping	2.9
40	Bad debts	2.4
41	Interest rates	3.6
42	Crime	3.8
43	Delayed payments	4.1

Mean scores below 3 indicate that these emerging contractors had no problems in the areas indicated. However, any mean score above 3 indicate that firms experienced problems in those areas indicated in Table 9 above. Challenges with a mean score above 3 are discussed in the following section:

- **Ability to develop long-term strategy:** On average most of the emerging contractors strongly agreed that the ability to develop a long-term strategy was a problem to their firms (mean score=3.6). This is because of the nature of their work, which depended mostly on available contracts with the developers, CDC and NMMM. It was therefore hard for these emerging contractors to make long-term strategies.
- **Ability to compete with big construction firms:** On average, most of the emerging contractors agreed that they were not strong enough to compete with big construction firms (mean score 3.1). The emerging contractors were mainly involved in construction work as sub-contractors rather than as main contractors.
- **Provision of a safe and decent working environment:** Most of the emerging contractors in Nelson Mandela Metropole (NMM) agreed that providing a safe and decent working environment was a problem to them since they did not have sufficient funds to buy things like overalls, safety

shoes, hand-gloves as well as helmets for their workers (mean score=3.1). In as far as the environment is concerned; the emerging contractors intimated that they did not have enough capital to rent mobile toilets for their workers. This matter needs urgent attention. Lack of safety attire was seen as the major stumbling block for obtaining tenders.

- **Lack of incentives from government to encourage emerging contractors:** The emerging contractors in the NMM strongly agreed that the government did not do enough to create incentives to encourage the emerging contractors (mean score=3.9). In fact, emerging contractors intimated that black economic empowerment through construction industry was not a reality to them yet.
- **Lack of professional advisors and consultants in the construction industry:** Most of the emerging contractors strongly agreed that a lack of professional advisors and consultants in the construction industry was a problem (mean score=3.8). In fact, some of the construction firms were not aware of the existence of professional advisors and consultants in the construction field whilst others referred to a lack of finance and therefore could not access professional assistance.
- **Lack of access to funding from commercial banks:** The majority of the emerging contractors in the NMM agreed that access to funding from commercial banks was a major problem (mean score=4.0).
- **Lack of access to funding from commercial banks:** The majority of the emerging contractors in the NMM agreed that access to funding from commercial banks was a major problem (mean score=4.0). Access to funding is a major problem experienced by the majority of the small businesses. This is due to various reasons such as lack of collateral, lack of ability to repay the bank loans etc.
- **High start-up cost:** The majority of the emerging contractors strongly agreed that start-up costs were high and this inhibited their businesses (mean score=3.5). Most of these emerging contractors start from nothing and they are not backed up by any source of revenue and/or savings.
- **Can't access projects bonded by formal commercial banks:** Most of the emerging contractors in the NMM strongly agreed that access to projects bonded by commercial banks was a major challenge (mean score=3.5). The banks do not have confidence in emerging contractors and banks continue to grant their projects to big and well-established developers.
- **Lack of capital equipment:** Most of the emerging contractors in the NMM strongly agreed that a lack of capital equipment was a major problem facing these firms (mean score=3.5). These firms had limited access to wheelbarrows, scaffolds, vehicles and other relevant equipment for construction. This matter was aggravated by the fact that they could not access bank loans to buy the necessary equipment.
- **Racial discrimination:** Most of the emerging contractors in the NMM felt that the construction industry was still white dominated (mean score=3.4). These contractors intimated that more opportunities in the building industry should be open for blacks and that the previously disadvantaged builders should receive favourable consideration in view of their historical exclusion from participating in economic activities.
- **No co-operation from the suppliers:** Emerging contractors felt that there was no co-operation from the suppliers (mean score =3.2). The reason given for this lack of co-operation was that there was often a delay in delivering building materials to the construction sites by the suppliers.
- **Poor cashflow:** Most of the emerging contractors strongly agreed that cashflow was a major problem facing their businesses (mean score=3.9). These contractors had no running funds but had to wait until the construction of a unit was completed before they could be paid.
- **Interest rates:** Most of the construction firms agreed that increasing interest rates affect their businesses adversely (mean score=3.6).
- **Crime:** Most of the construction firms were negatively affected by crime. The respondents intimated that their material was being stolen from the sites. Completed houses which were not occupied were also being vandalized. A case where one contractor stole material from another contractor was also reported.



- **Delayed payments:** Delayed payment was a major problem facing almost all the emerging contractors regardless of the level of education, experience and/or period in business (mean score=4.1). The developers/metro council did not pay the sub-contractors immediately after the completion of the building, but there was a waiting period.

**5.3 Significant statistical relationships between demographic variables and the challenges facing the emerging contractors (marked significant relations at p value < 5%).**

**5.3.1 Differences between male and female dominated construction enterprises**

Table 10: Differences between males and females with regard to challenges faced

Challenges	p value
Develop a long-term strategy	0.015469
Access to capital equipment	0.046870
Gender discrimination	0.031754
Lack of management skills	0.025760

Table 10 reveals that there were significant differences between males and females with regard to the challenges listed in Table 9. There were more females than males who had problems with respect to developing a long-term strategy. Long-term strategy referred to an ability to plan the business for at least the next 5 to 10 years. Similarly, female contractors had difficulties in accessing capital equipment for construction as compared with males.

Many of these construction firms did not have adequate supply of spades, ladders, scaffolds and safety clothes. Finally, most females felt that although they were being considered for tenders, their businesses were still discriminated against in terms of gender. There was no sufficient confidence in them as woman that they could perform adequately in construction industry.

**5.3.2 Relationship between period of business in construction industry and the challenges facing emerging contractors in the NMM**

Table 11 : Significant relationship between period of business and challenges

Challenges	p value
Lack of experience in construction business	0.020184
Lack of equipment	0.000270
Racial discrimination	0.016872
Lack of management skills	0.000348

This study revealed that there were significant relationships between the period of business in the construction industry and the problems/challenges facing these firms. Firms which operated for a period of 5 years and less had a lack of experience in the construction business as opposed to those which had been operating for longer than 5 years. It is clear that the longer the firms were in business, the more experience they gained in the field. Experience in the construction field referred to experience in both management and technical issues. Similarly new businesses had problems in accessing capital equipment.

These businesses also had a perception that they were racially discriminated against with respect to access to finance and big projects which are financed by commercial banks.

### 5.3.3 Relationship between the level of education and challenges facing emerging contractors

Table 12: Significant relationship between levels of education and challenges

challenges	p value
Lack of confidence in business	0.034905
Limited market size	0.015052

Emerging contractors with low levels of education intimated that the clients as well as the suppliers had no confidence in their businesses. Similarly, the contractors with low levels of education intimated that their market size was limited. These contractors had no capacity to expand and thus were limited to low cost housing. They had no capacity to expand beyond construction of low cost houses.

## 6 Implications of the findings and recommendations

Long-term strategy is vital for the survival of the firms. Through strategic planning firms are able to develop an understanding of the future of their businesses. Long-term strategic planning embodies a continuous information gathering and a clear understanding of the market, competitors and all stakeholders [14]. The ability for developing a long-term strategy was found missing amongst the emerging contractors in NMM. The inability to develop a long-term strategy was mainly because the projects of these emerging contractors were for a short-term. More than 50% of the employees were working either on fixed-term contracts or on casual basis. Furthermore, the emerging contractors were sub-contractors as opposed to main contractors and/or developers.

It is recommended that strategies are put in place to develop the emerging contractors in the NMM to grow towards being developers and main contractors. Emerging contractors are an important vehicle to address the challenges of job creation, economic growth and encouragement of entrepreneurship. There has to be a commitment from the government to bring the emerging contractors to the mainstream of the economy.

The white paper on the construction industry makes mention on a number of occasions about redressing the discrepancies caused by apartheid in the construction sector. Access to working capital, plant and equipment, reasonably priced supplies and materials, and sustained opportunities remain critical constraints for many emerging contractors. Government needs to take steps to formulate an appropriate policy for the development of the emerging contractors.

In order to formulate such an appropriate policy, a co-ordinated support programme should be developed in close co-operation with Black Construction Council (BCC) and Department of Trade and Industry (DTI). To attain a better impact in encouraging the emerging contractors it is important for the government to initiate programmes which promote the use of emerging contractors.

This study revealed that most of the emerging contractors were constrained by the shortage of funds to make use of the professional advisors and consultants. However, some of the emerging contractors were not even aware of the existence of such institutions. It is important that the local government bring the professional organisations such as consultants and advisors close to the emerging contractors. These

organisations must make themselves and their services known to the emerging contractors. Furthermore, the services provided by these professional organisations must be at affordable prices.

Lack of funding by commercial banks is not affecting emerging contractors only but generally all SMMEs in South Africa.

Private lending by the banking sector is very important [15], but the level of collateral and documentation required by banks places emerging contractors at a disadvantage [16]. Furthermore, the formal credit institutions are reluctant to give emerging contractors loans because they do not have fixed business addresses and have unreliable income streams [17]. It is therefore necessary for the government to influence the banks with regard to their SMMEs lending policies [18].

The issue of high start-up costs is common to all new businesses. Unless the individual has some savings somewhere or access to bank loans, this will continue to be a problem. However, start-up costs are usually a short-term pain, but as businesses continue to function, in the long run, they will be able to cover the costs. It is for this reason that a partnership between the local government, private sector and the developers must be fostered for the benefit of the emerging contractors.

Additional support can be mobilized from the department of Labour and department of Public Works. The minister of Public Works said “the department of Public Works is determined to create an environment that will enable the banks and financial institutions to shift their stance in support of the emerging contractors” [19].(Construction World,2000).

Formal banks’ construction projects are usually given to the developers with a good record of accomplishment. Commercial banks are business institutions and invest their money in projects that will yield a positive return. It is important that measures are in place to ensure the growth and the development of the emerging contractors to a level where they have a good track record of accomplishment. Emerging contractors need to transcend from just being sub-contractors to being developers in whom banks will be able to invest.

A proven and successful way to implement small contractor development is through franchising. Franchising is a proven business practice with a low risk of failure. The franchisee receives support from an established business by way of training in technical, operational and business skills, and is provided with specialized tools and equipment. Continuous mentoring and assistance with tendering, accounting and business management lead to the establishment of a competent franchisee contractor. The franchising approach is a proven way of removing barriers to entry for small businesses[20]. (The Civil Engineering & Building Contractor, 1997).

The emerging contractors in the NMM have a perception that the construction industry as a whole is still white dominated. However, the department of Public Works introduced an Affirmative Procurement Policy under the mandate of the cabinet [21].(Construction World, 1999). The representivity of the construction industry is one of the critical issues looked at by the department of Public Works. A large-scale black construction capacity can be collectively created through a Strategic Empowerment Programme.

The study revealed that poor cashflow and delayed payments were also part of the challenges faced by the emerging contractors. Since emerging contractors were mainly sub-contractors, they were not in control of the money flow, but depended entirely on the main contractors and developers. What is recommended though is that at the completion of one unit to the satisfaction of both the client and the beneficiary, the sub-contractor should be paid within a reasonable period. The money should be transferred to the emerging contractors’ bank accounts. Cheques are subject to a waiting period and this constitutes a delay in the flow of funds. Training in financial management should be given to the emerging contractors.

Training will give them a skill to manage their own funds according to business principles and thereby prevent them from falling into financial crisis.

## 7 Conclusion

Emerging contractors in the Nelson Mandela Metropole consist of people who are young, mostly women and who are fairly exposed to formal education. The construction industry is an important player in the economy of South Africa. The government's white paper on the construction industry spells out the government's strategy to empower the previously disadvantaged through the construction industry in South Africa. The objective of the government is to make the construction sector in South Africa nationally, regionally and globally competitive.

Nevertheless, this study has shown that in order for the government to achieve its goals in terms of the white paper on the construction industry, a lot of work is yet to be done amongst the emerging contractors. Special training programs in construction business management, tendering processes and financial management are key areas in which the emerging contractors can be assisted.

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