Perceptions of Small Medium and Micro Enterprises (SMMEs) on resources required to influence involvement and participation in preferential procurement

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ABSTRACT

The preferential procurement policy objective of granting SMMEs preference in the allocation of government contracts is to guarantee a level playing field by granting access to the market. Yet, it is unclear what the current position of SMMEs is in participating in preferential procurement. SMMEs face obstacles that arise from inadequate resources availability in participating in preferential procurement. The purpose of this research report is primarily to explore the perceptions of the owner/and manager of SMMEs regarding significant resources that are required to influence involvement and participation in preferential procurement. Furthermore, to also explore the impact of participation in preferential procurement on employment generation.

This descriptive quantitative research looks at a sample of 100 SMMEs from Gauteng that have been involved in preferential procurement at least once within a period of three years to date of participation in this study.The self administered web-based questionnaire was used to investigate perception of SMMEs on significance of resources that influence involvement and participation in preferential procurement and how their participation impacted employment generation.
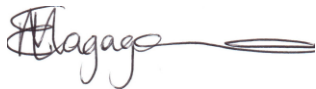
The results of the study indicated that SMMEs perceive administrative and supply capacity resources as the most significant resources to participate successfully. It further provided evidence of positive impact participation has on SMMEs growth in relation to employment generation.

In contrast, the findings suggest that information resource is the least significant resource required to participate in preferential procurement. Lastly the results suggested that micro enterprises place less significance on supply capacity resource.

Keywords Preferential procurement, Resources, SMME, SMME growth, employment generation

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Lebogang Magagane

ACKNOWLEDGEMENTS

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LIST OF ABBREVIATIONS

BBBEE   Broad-based Black Economic Empowerment

BEC   Bid Evaluation Commitee

CIPRO   Company and Intellectual Property Registration Office

DAC   Departmental Acquisition Committee

DTI   Department of Trade and Industry

GDP   Gross Domestic Product

GPG   Gauteng Provincial Government

GEM   Global Entrepreneurship Monitor

GSSC   Gauteng Shared Service Centre

HDI   Historically Disadvantage Individual

NDP   National Development Plan

RSA   Republic of South Africa

SARS   South African Revenue Services

SEDA   Small Enterprise Development Agency

SMEs   Small and Micro Enterprises

SMMEs   Small, Medium and Micro-Enterprises

Stats SA   Statistics South Africa

CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

South African Government procurement has become an increasing focus to open market access for local economic development. As such, this is emphasised in the new Preferential Procurement Regulation released in December 2011 which makes provision for local production to promote local development of enterprises (National Treasury, 2011; National Treasury, 2011). There is a continuous pursuit that Government must endeavour to ensure that government procurement opportunities more accessible to small businesses (National Planning Commission, 2011; Small Business Project, 2011).

Government is the largest consumer of goods and services for most developing countries (Bolton, 2006). Countries such as the United Kingdom, the United States of America, Brazil and India, among others, make use of government procurement as a means to stimulate growth of Small, Medium and Micro enterprises (SMMEs) (Watermeyer, 2000). South Africa is no different; the South African government uses procurement to support the economic growth of SMMEs.

The government offers support for SMMEs through procurement in one of two ways; one way is to encourage large companies to buy more from small suppliers by incentivizing them with broad-based black economic empowerment (BBBEE) score points (Department of Trade and Industry, 2008; Republic of South Africa Government, 2003). This approach is also embedded in the revised preferential procurement policy; it is now a requirement for all bidders to submit a BEE rating certificates with the bid (Department of National Treasury, 2011). The other approach is by government procuring more from SMMEs. To procure more from SMMEs the government uses the preferential procurement policy framework as an instrument to open up markets for

SMMEs; thus affording them an opportunity to access markets they would otherwise find difficult to penetrate (Rogerson, 2004; Tustin, 2003).

Preferential procurement is procurement that gives preference in the awarding of contracts to businesses that have certain categories of individuals, such as blacks, women, and the disabled (Bolton, 2006). According to Bolton (2007) the application of preferences in awarding of contracts is applicable to all tenders, irrespective of value of the contract. The policy allows organs of state to envisage certain specific goals in the policy; however the policy framework suggests that these specific goals focus on the engagement of the targeted enterprises and the targeted labour of HDI (Republic of South Africa Government, 2000).

SMMEs therefore now have the opportunity to proactively gain access in the economic market through preferential procurement. Successful participation in the market contributes towards mitigating challenges associated with SMME development and therefore improves the growth of SMMEs (Berry *et al.*, 2002; Olawale & Garwe, 2010).

Research has shown that 'majority of jobs exist in the SMMEs sector" (Banjies *et al*, 2006:34). A recent study conducted by Abor and Quartey estimates that South African SMMEs contribute between 52% and 57% to Gross Domestic Product (GDP) and contribute approximately 61% to employment (Abor & Quartey, 2010). Since 2003 South Africa has had economic growth rates averaging five percent per annum, until the country experienced a recession in 2009. The country continued to experience positive growth in 2010 and has remained on a positive trajectory since the slump of 2009 (Statistics South Africa, 2012). However, this economic growth has had limited impact on the country's unemployment rate leading to a phenomenon that the trade unions have termed a 'jobless' growth. Statistics South Africa (Statistic South Africa, 2012) reported the unemployment rate in South Africa to be 25.2% in the first quarter of 2012, which has risen from 23.9% in the fourth quarter of 2011. Historically, from 2003 until 2012, the South Africa unemployment rate has averaged at approximately 25%.

A Finscope study revealed that there are six million small businesses in South Africa. The majority (67%) of those SMMEs employed only the business owner. Approximately,

there are only 1.5 million small businesses that employ between one and four people and 300,000 small businesses that employ more than five people (FinMark Trust, 2010).

1.2   Problem statement

The South African Government committed itself to creating an enabling environment for enterprises in order for South Africa to achieve its goal of economic growth and employment generation. The National Development Plan suggests several interventions that can result in a speedy and a more SMME inclusive economic growth. One of these interventions is the promotion of procurement measures that will stimulate a domestic industry and job creation. The National Development Plan calls for government procurement opportunities to be made more accessible to SMMEs in order to achieve their 2030 goal of economic growth and the provision of 11 million more jobs by 2030 (National Planning Commission, 2011).

The Premier of Gauteng, Nomvula Mokonyane, in the 2010 State of the Province Address identified support to SMMEs as one of the priorities of the provincial government (Mokonyane N, 2010). Gauteng Provincial Government's (GPG) commitment to SMME development and support is best reflected by the wide range of policies and strategies aimed specifically for SMMEs such as the Gauteng Preferential Procurement Policy and the Broad Based Black Economic Empowerment Strategy 2007 to 2014. The Gauteng Provincial Government's Preferential Procurement Policy was developed in 2006, and all the GPG departments apply the Preferential Procurement Policy (PPP) to promote SMMEs when procuring all goods and services.

The Gauteng BBBEE Strategy on the other hand has the objective to increase GPG's impact on BBBEE in Gauteng and consequently focuses on the advancement of SMME suppliers by ensuring that majority of the procurement is spend on BBBE SMMEs (Department of Economic Development, 2007)).The procurement targets to be achieved in 2011 includes:

- To target 70% of total GPG procurement from BBBEE SMMEs

The performance of the province on preferential procurement expenditure in relation to the targeted 70% recorded a 43% investment in procuring SMMEs (Mahlangu, 2012) Only a limited number of SMMEs are able and willing to participate in procurement (FinMark Trust, 2010). Many SMMEs believe that time spent preparing tenders with a low guarantee of success is inefficient, and therefore seldom bid for public tenders (Michaelis, McGuire, & Ferguson, 2003).

According to Delmar and Wiklund (2008) the business environment has a significant impact on the success and growth of SMMEs. Smit *et al* (2011) defined the business environment as all those factors, both internal and external the organization, that may influence the continued existence of the organization. Olawale and Garwe (2010) argued that for SMEs to grow, it is important to strengthen not only the internal business environment but also the external environment.

According to Bolingtoft *et al.* (2003) there are many reasons that hinder SMME growth; one of the most cited reason that hinder growth is resource poverty; therefore to ensure the survival and growth of SMMEs; SMMEs require access to different types of resources .

Having noted the high unemployment rate faced by South Africa and given the potential role that the SMME sector could play in reducing unemployment levels and the resource challenges faced by SMMEs, it is vital for government to assist and support the growth and development of the SMME sector. However in doing so the government would need to understand the sector.

1.3   Motivation of research

In spite of the lack of academic coverage on the topic regarding the type of resources required by SMMEs to influence involvement and participation in preferential procurement; preferential procurement has become an increasing focus for open market access for local economic development (Department of National Treasury, 2011; National Planning Commission, 2011; Small Business Project, 2011). Therefore how

well a country understands the issues in this area will help determine the effectiveness of the National Development strategy.

In 2010, Antonites and Truter (2010) completed a study on SMME procurement issues and maintained that several deficiencies still exist in the procurement process that significantly affects the SMME sector. Therefore government should reassess the situation as well as the support programs in place to be able to take corrective measures to improve the systems.

Previous research has focused on the nature and characteristics of SMMEs; investigated the regulatory environment for SMME development and identified barriers in the procurement process faced by SMMEs in supplying to government (Antonites & Truter, 2010; Loader, 2005; Lighthelm, 2008). Karjalainen and Kemppainen (2008) in a study on SMMEs in Finland concluded that obstacles for the level of SMMEs participation in public procurement are mainly focused on inadequate resources in supplying the needed quantity of products, services or work. Indeed, this makes it imperative for the government to understand the resources required by SMMEs (which is the aim of this study) in order to reach the targeted expenditure on SMMEs in preferential procurement and consequently create the desired jobs. The challenges faced by SMMEs should be more widely understood so that processes could be put in place to mitigate these obstacles.

Government is the largest consumer of goods and services and has created an opportunity for businesses to play a role as suppliers (Bolton, 2006). The use of procurement as a tool can be effective at contributing to the growth of enterprises, provided it is applied in the right manner (Arrowsmith, 2002). Therefore this research report seeks to provide understanding surrounding the phenomenon that procurement spending translates into increased employment when procurement contracts are more accessible to SMMEs (Bates, 2009). Past research in the USA has illustrated patterns among employment opportunities along with procurement opportunities (Myers, 2006). This research report attempts to establish the patterns of preferential procurement in generating employment opportunities in the SMME sector in the South African context.

Despite the importance of SMMEs as employment generators, they are poorly understood and not sufficiently documented. Government efforts to assist the sector have had limited success (Boter & Lundström, 2005; Rogerson, 2008).The debate around SMMEs and their ability to assist in employment growth has become greatly weighted with assumptions. Therefore measures should be put in place as an attempt to understand the sector. However, before such measures can be set up, a clear understanding of issues that affect the sector and the SMMEs perception on needs is essential.

1.4   Purpose of research

The purpose of this research report is primarily to explore the perceptions of the owner/and manager of SMMEs regarding significant resources required to influence involvement and participation in preferential procurement. Furthermore the relationship of participation in preferential procurement and employment generation will be investigated.

Some of the literature reviewed in this report is focused on the European environment. This research study attempts to contribute towards the South African perspective by identifying and analysing the critical resources commonly perceived to be required by SMMEs and thus provide recommendations for SMMEs and the government on critical resources that influence optimum involvement and participation. By understanding the critical resources that influence involvement and participation, more focused programs can be developed to support SMMEs in preferential procurement and consequently lead to active economic participation of SMMEs and therefore reduce the unemployment levels in the country.

1.5   Overview of the Structure of the Study

This study is organised as follows: Chapter two explores the literature available on preferential procurement policy and the associated benefits of participation of SMME's in preferential procurement. Furthermore it discusses the problems with preferential

procurement policy and the barriers that SMMEs face in involvement and participation. Chapter three discusses the conceptual framework and hypotheses formulated from the literature. This is followed by a discussion and the defence of the research methodology adopted in Chapter four, which outlines the rationale for the selection of the sample population and details the data collection and analysis processes. Chapter five discusses data collection and presents the findings; thereafter an analysis of the findings will be discussed in Chapter six. Finally conclusions are drawn and recommendations are made in Chapter seven.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Small, Medium and Micro Enterprises (SMMEs) are seen as playing a vital positive role in the economies of many countries, thus "governments throughout the world focus on the development of the sector to promote economic growth and employment opportunities" (Olawale & Garwe, 2010, p.729). South Africa is no different; the SMME sector plays an important role in stimulating the economy (Department of Trade and Industry, 2003)..

The South African Government resolved to use the purchasing power (procurement) as an instrument in addressing the obstacle facing SMMEs of accessing the market to enhance growth of SMMEs (Ntsika, 1997, p.1). According to Rogerson (2004) the rate of participation by SMMEs in procurement is low. In a study on SMMEs in Gauteng, only 12% participate in government procurement, eight percent of which tendered for business by themselves and only four percent partnered with established enterprises (FinMark Trust, 2006).

This chapter presents an overview of SMMEs in South Africa and discusses the Preferential Procurement Policy Framework Act 5 of 2011, as a policy that promotes growth of SMMEs. Literature on the resources that SMMEs require to participate in procurement will be discussed. Finally, the chapter will explore literature on the growth of SMMEs as an outcome of participation in procurement.

2.1.1 Small, Medium and Micro Enterprises (SMMEs) in South Africa

Different countries set their own guidelines for defining SMMEs. The classification of Small business often depends on revenue, assets or the number of employees of the business.

In South Africa SMMEs are defined in accordance with South Africa's National Small Business Act 102 of 1996, as amended by the National Small Business Act 29 of 2004, which stipulates that "a small business is a separate and distinct business entity, including co-operatives and non-governmental organisations (NGOs), managed by one owner or more which, including its branches or subsidiaries" (Republic of South Africa Government, 2004, p.2). The definition of SMMEs distinguishes between four categories of businesses; micro, which includes survivalist enterprises; very small; small; and medium enterprises.

The definition for SMME in South Africa is any business with less than 200 employees, where less than fifty workers are regarded small and between 50 and 200 is considered medium sized.

The National Small Business Act no 102 of 1996, as amended by the National Small Business Act 29 of 2004 (Republic of South Africa Government, 2004), further classifies small businesses according to the thresholds per industrial sector. The more detailed, per industrial sector, definition and classification of small business in South Africa is outlined in Table 2.1 below.

Table 2.1 Classification of SMMEs

Sector or Sub-sector in accordance with the Standard Industrial Classification (SIC)	Size or Class	Total fulltime equivalent of paid employees (less than)	Total annual turnover (Rm) (less than)	Total gross assets value (fixed property excluded) (Rm) (less than)
Agriculture	Medium Small Very small Micro	100 50 10 5	5.00 3.00 0.50 0.20	5.00 3.00 0.50 0.10
Mining and Quarrying	Medium Small Very small Micro	200 50 20 5	39.00 10.00 4.00 0.20	23.00 6.00 2.00 0.10
Manufacturing	Medium Small Very small Micro	200 50 20 5	51.00 13.00 52.00 0.20	19.00 5.00 2.00 0.10
Electricity, gas and water	Medium Small Very small Micro	200 50 20 5	51.00 13.00 5.10 0.20	19.00 5.00 1.90 0.10

Sector or Sub-sector in accordance with the Standard Industrial Classification (SIC)	Size or Class	Total fulltime equivalent of paid employees (less than)	Total annual turnover (Rm) (less than)	Total gross assets value (fixed property excluded) (Rm) (less than)
Construction	Medium Small Very small Micro	200 50 20 5	26.00 6.00 3.00 0.20	5.00 1.00 0.50 0.10
Retail and motor trade and repair services	Medium Small Very small Micro	100 50 20 5	39.00 19.00 4.00 0.20	6.00 3.00 0.60 0.10
Wholesale trade, commercial agents and allied services	Medium Small Very small Micro	100 50 20 5	64.00 32.00 6.00 0.20	10.00 5.00 0.60 0.10
Catering, accommodation and other trade	Medium Small Very small Micro	100 50 20 5	13.00 6.00 5.10 0.20	3.00 1.00 1.90 0.10
Transport, storage and communication	Medium Small Very small Micro	100 50 20 5	26.00 13.00 3.00 0.20	6.00 3.00 0.60 0.10
Finance and business service	Medium Small Very small Micro	100 50 20 5	26.00 13.00 3.00 0.20	5.00 3.00 0.50 0.10
Community, social and personal services	Medium Small Very small Micro	100 50 20 5	13.00 6.00 1.00 0.20	6.00 3.00 0.60 0.10

Source: National Small Business Amendment Act 29 of 2004 (Republic of South Africa Government, 2004).

SMMEs in South Africa show little sign of enterprise growth. The Global Entrepreneurship Monitor (GEM) reports that only 2.3 percent of South African owned SMMEs have been in existence for over 3.5 years when compared to other GEM countries that have an average of 7.7 percent established firm rate. Thus, the majority of start-up SMME's do not become established enterprises (Simrie *et al.*, 2011). The GEM is an annual project conducted as a partnership between London Business School and Babson College. This initiative analysis and measure entrepreneurial activity, aspirations and attitudes of individuals of 43 different countries.

2.1.2 Characteristics of SMMEs

According to FinMark Trust (2010) SMMEs are the majority of the established businesses in South Africa. These enterprises have the capacity to employ employees ranging from five to 50. The enterprises are often controlled by the owner who also acts as a manager, thus the owner-manager attitude and behaviour shapes the characteristics of the small enterprise. These types of enterprises are usually" organised, operate from a formal business premises and meet formal registration requirements imposed by the South African Revenue Services" (SARS) (Liebenberg *et al*, 2007:74). The medium enterprises are viewed as "owned, controlled and managed by shareholders" (Liebenberg et al, 2007:74) and have a decentralised management structure with division of labour. These enterprises have the "capacity to employ up to 200 employees" (Department of Trade and Industry, 2005:23).

2.1.3 Establishment of SMMEs

Thurik and Wennekers (2004) and Green (2003) argued that employment generation cannot be sustained without the establishment of new enterprises in the SMME sector. According to Acs and Armingtom, total employment growth from the expansion of existing establishments is less than that from the birth of new establishments" (Acs & Armington, 2003, p.15). In a GEM report, Maas and Herrington (2006) highlighted the same sentiments by stating that new enterprises are a significant solution to the South African economic growth and unemployment challenges. Olawale and Garwe (2010) supported this argument by stating that "without new established enterprises streaming into the market, South Africa faces a threat of economic stagnation" (p. 729).

Furthermore, Maas and Herrington (2006) described a new enterprise in accordance to a two-stage process. The first stage of a new enterprise is the start-up phase. This is a three month period during which the individual identifies the product or service to be offered by the enterprise; access resources and also put in place the necessary infrastructure to enable the trade thereof. The next phase takes place in the period of three to 42 months when the business starts to trade and compete with other enterprises in the market.

FinMark Trust (2010) has developed a small business survey called the Finscope survey that studies small business characteristics nationwide in an effort to provide reliable and accurate information regarding the specific needs of specific segments of the small business sector. This survey of small business in South Africa describes the age of small business enterprise in three phases. The start-up phase is between zero and 2.5 years, thereafter the growth phase is between 2.5 and 5.5 years. The established phase occurs once an enterprise exists for more than 5.5 years.

Findings from the Finscope small business survey indicated that there are approximately six million small businesses in South Africa. Businesses with less than five employees represented 94% of small businesses in South Africa (figure 2.1) and created 68% of the employment opportunities. The other six percent of small businesses had five or more employees, and created 32 percent employment opportunities (FinMark Trust, 2010).

Figure 2.1 Distribution of SMMEs by Number of Employees sector
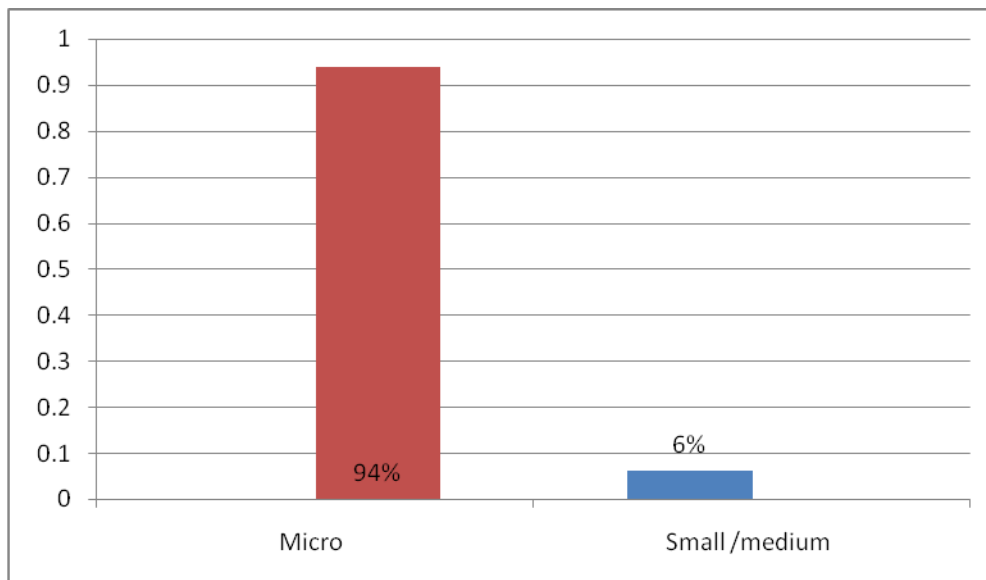
Source: Finscope small business survey 2010 (FinMark Trust, 2010)

From the six percent proportion of small business enterprises, 40.9% were in the start-up phase as demonstrated in Figure 3. Of the small business enterprises, 21.4% have been in operation between 2.5 and 5.5 years thus are in the growth phase; whilst 36.5%

are regarded as established enterprises, thus have been in operation for more than 5.5 years.

Figure 2.2 Age Distribution of SME
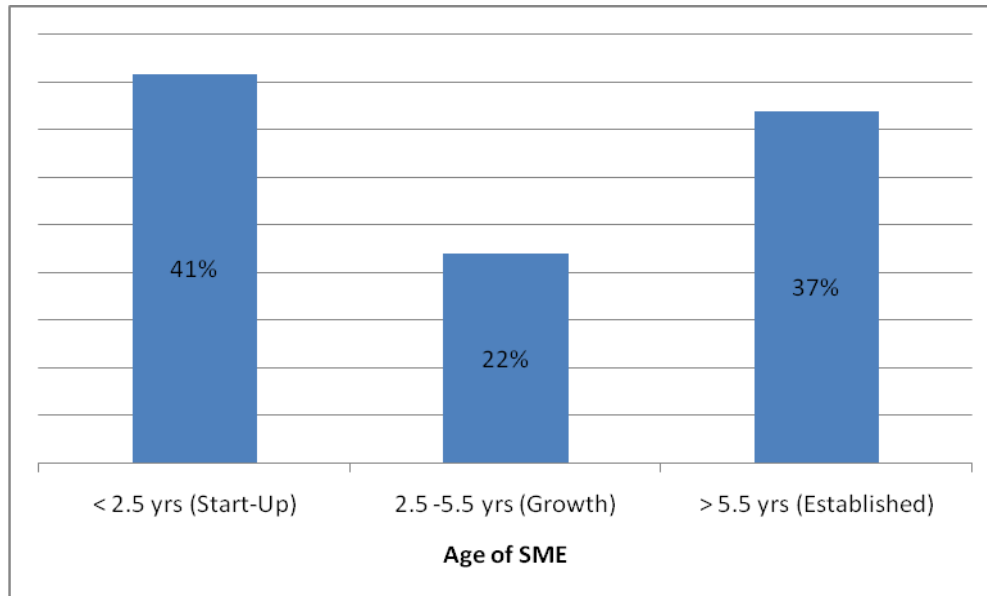
Source: Finscope small business survey 2010(FinMark Trust, 2010)

Despite the noted contribution of SMMEs to employment, their failure rate in South Africa is high, about 75% of new entrants into the SMME sector do not become established enterprises (FinMark Trust, 2006) . The 2006 Finscope survey report on SMMEs in Gauteng stipulated that various barriers caused the high failure rate of SMMEs. These barriers include competition and access to markets, financial constraints and lack of managerial skills and training (FinMark Trust, 2006). Most researchers cite access to markets as one of the constraints for the survival and growth of SMMEs (Department of Trade and Industry, 2003; Makgoe, 2008; Rantseli, 2011; C. M. Rogerson, 2001). According to Bates (2009) "restricted market access limits the ability of SMMEs to build capacity" (p.187).

2.1.4 Procurement Defined

Throughout the world, elected governments have certain obligations prescribed to them by the electorate. In order to discharge these obligations governments need a variety of

equipment and materials, services and labour which could be in the form of personnel or consultants, to perform its duties and deliver on certain objectives.

The acquisition of these goods and services is normally referred to as procurement. According to Watermeyer (2003) procurement is defined as "the process that creates, manages and fulfils contracts relating to the provision of supplies, services or engineering and construction works; the disposal of property; the hiring of anything; and the acquisition or granting of any rights and concessions " (p.2).

2.1.5 Objectives of a Procurement Policy

Procurement has been used by governments to achieve social economic objectives, for example to "stimulate economic activity; enhance competitiveness of certain industrial sectors and to redress disparities" (Watermeyer, 2003, p.12). "It is also used to address certain social objectives such as unemployment and poverty" (Rogerson, 2004, p. 181). By leveraging on procurement expenditure of the government; it is argued that SMMEs will be in a stronger position to succeed and compete in the marketplace, thus generate employment and reduce poverty (Mkhize, 2004).

According to Watermeyer (2000) procurement to SMMEs is not only used as an instrument to achieve social benefits such as poverty alleviation and to foster the creation of jobs; but it is also used as an instrument to 'level the playing field' for minority groups such as historically disadvantaged SMMEs to ensure that SMMEs are not disadvantaged over larger enterprises.

According to the Department of Trade and Industry (2008) market opportunities, regulations and competitive structures have in the past evidently favoured larger enterprises. In support, Bates (2009) argued that levelling the playing field means "to rectify the imbalance between the small and large enterprises, it entails alleviating the disproportionate barriers retarding involvement in procurement activities" (p. 190).

2.1.6 Rationale for Using Procurement to Promote SMMES

Several arguments favour the usage of procurement as an instrument to redress disparities. South Africa suffers from a rising rate of unemployment, with an estimated rate of 25.2% in the first quarter of 2012 as compared to 23.9% that was reported for the last quarter of 2011(Statistic South Africa, 2012). Prior research indicated that SMMEs have a much greater labour absorptive capacity than larger enterprises. SMMEs are able to generate more employment and it is for this reason that the South African government has adopted a strategy of leveraging on the employment generation of SMMEs in addressing the rising rates of unemployment (FinMark Trust, 2006) .

Another argument that supports the use of procurement as an instrument to address social issues of a country is based on the scale of procurement spent by government. According to Bolton (2006), public procurement constitutes the largest domestic market in developing countries; it constitutes approximately 14% of the GDP in South Africa and 30% of the total government expenditure. Government is the largest consumer of goods and services and creates an opportunity for businesses to play a role as suppliers. Arrowsmith (2002) argued that the use of procurement as a tool can be effective in contributing towards the growth of enterprises provided it is applied in the right manner. Watermeyer (2000) explained that the process of procurement should have measurable targets; should be verifiable, auditable and transparent; and take place within a competitive environment.

According to Loader (Loader, 2007) procurement is also a mechanism for improving service delivery, for example the more procurement is undertaken; the more improved models are built to deliver better service. To be able to understand how procurement promotes the growth of SMMEs in South Africa, it is necessary to understand the concept of government procurement. As such the procurement concept used in South Africa is discussed below.

2.2 Procurement Policy in South Africa

2.2.1 Introduction

In South Africa, government has used procurement to develop small businesses through spending on procured goods. This is "informed by the realisation of government that in an economy dominated by large businesses; small business entry is a challenge" (Ntsika, 1997, p.1). The procurement policy is implemented in accordance with the Preferential Procurement Policy Framework Act 5 of 2000, which stipulates that any organ of state must determine a preferential procurement policy for itself and must implement it within the parameters of its provision (Republic of South Africa Government, 2000).

The discriminatory practices in South Africa during apartheid resulted in black South Africans being marginalised and prevented from being involved in the economy. Before 1994, the government procurement system was focused on large and established contractors. This posed a challenge on the involvement of new contractors as suppliers of goods and services to government (Bolton, 2006). As a result, "by 1994 less than five percent of the private economy was in the hands of the black majority" (Herrington & Overmeyer, 2006, p.9). This led to government formulating a new procurement policy that would be used as a tool for achieving economic reform by consciously giving preference in its awarding of contracts in favour of the Historically Disadvantaged Individuals (HDIs) (Bolton, 2006). According to Karjalainen & Kemppainen (2008), "Involvement refers to SMMEs' participation in tendering opportunities through which they have a chance of supplying government with goods and services". Thus participation refers to meaning participation in delivering goods and services after winning the public procurement contract. The above definitions are applied as such in this study (p. 230).

Procurement can be used to support socio-economic policies in different ways in South Africa. The Constitution Act 108 of 1996 makes provision for a preference scheme. In this scheme all suppliers who are qualified to contract are eligible to tender. However, tender evaluation points are granted to those suppliers who satisfy prescribed criteria or who undertake to achieve specific goals in the performance of the contract (Republic of South Africa Government, 1996).

South Africa is recognized as one of the only few countries to have procurement governed by its Constitution (Herrington & Overmeyer, 2006). Procurement is accordingly governed by the national legislation. Section 217 of the Constitution of the Republic of South Africa Act 108 of 1996 provides the framework for public procurement. This type of procurement was first formulated in 1998, starting with an interim strategy being formulated by the Department of Public Works for public sector procurement reform which came to be known as the ten-point plan. It is the same plan that culminated into Preferential Procurement Policy Framework (PPPF) Act 5 of 2000 (Republic of South Africa Government, 2000). The Act provides for preference in the procurement of government in favour of HDIs and SMMEs. The preference policy is applied to all types of tenders; irrespective of the value of the contract (Bolton, 2007).

2.2.2 Objectives of Preferential Procurement Policy Framework

According to Watermeyer (2003), "preferential procurement policy is a policy that promotes objectives additional to those associated with the immediate objective of the procurement itself"(p.11). The PPPF Act 5 of 2000 has primary and secondary objectives. Table 2.2 elaborates more on these objectives.

The PPPF Act sought to introduce a principle of equity and the empowerment of Historically Disadvantages Individuals (HDIs) within the traditional system of procurement. The primary objective of this Act is to regulate and boost conventional procurement systems with point-scoring parameters that relate to cost, quality, functionality and empowerment indicators (Republic of South Africa Government, 2000).

In addition, section 217 further stipulates that, during the implementation of the policy, categories of preference in the awarding of contracts and the protection or advancement of persons or categories of individuals disadvantaged by unfair discrimination must be considered (Republic of South Africa Government, 2000). Bolton (2007) commented that "the principles always find application when organs of state issue contracts, but the weight attached to each principle will differ depending on the circumstances" (p. 56).

Table 2.2 Public Procurement Objectives in South Africa

Objective	Description	Reference
Primary	Procurement system is to be fair, equitable, transparent, competitive and cost effective	Section 217 (1)
Secondary	Procurement policy may provide for: a) categories of preference in the allocation of contracts; and b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination	Section 217 (2)

Source: South African Constitutional Act no. 108 of 1996 (Republic of South Africa Government, 1996).

2.2.3 Procurement Process

The Preferential Procurement Policy Framework Act 5 of 2000 established that any organ of state must determine a preferential procurement policy for itself and must implement it within the parameters of the provisions stated in the policy (Republic of South Africa Government, 2000).

Section 217 of the South African Constitution Act 108 of 1996; stipulated that the procurement of goods and services must be in accordance with a system that is:

- Fair;
- Equitable;
- Transparent;
- Competitive; and
- Cost-effective

According to Pauw and Wolvaardt (2009),

> The principle of fairness ensures that potential suppliers in a tender process receive treatment that is just, unbiased, and free from corruption. The principle of equitable refers to the 'levelling of playing field' when competing suppliers are not

equal because one has been unfairly disadvantaged in some other way, for example through discrimination.

The principle of transparency refers to the advertisement of tenders, pre disclosure of requirements, public bid opening, and the accessibility of policies and regulations. It relates to the divulging of the relevant information regarding the tendering process and regulation to the public.

The principle of competitiveness allows for a selection of the best bidder amongst a pool of bidders for a particular tender. The principle of cost-effectiveness ensures that value for money is achieved; maximum value is gained from the amount of money invested in a contract (p.71-76).

The PPPF Act identifies two categories of point-scoring for the evaluation and adjudication of bids. Points are awarded based on price, quality and technical consideration and the attainment of specific goals for preference purposes. These two categories are referred to as 90:10 and 80:20 point-scoring systems and are differentiated by contractual value (Republic of South Africa Government, 2000). Prior to the amended PPPF Act of 2011, contracts above R500, 000 applied the 90:10 point-system, thus 10 out of 100 points are awarded on a preferential basis. For contracts below R500, 000 the 80:20 point system applied, thus 20 points out of 100 were awarded on a preferential basis (Republic of South Africa Government, 2000). The contract threshold has changed after the amendment of the PPPF Act in December 2011. The threshold value between the 80/20 and 90/10 preference point system has been increased from R500 000 to R1m. The 80/20 point system applies to contracts below R1m and the 90/10 point system to contracts above R1m (Department of National Treasury, 2011).

The PPPF Act of 2000, as amended in 2011 (Department of National Treasury, 2011), made it mandatory for preference points to be awarded in the first instance on the grounds of the make-up of persons involved in a bid as individuals, shareholders or managers, to level the playing field. Organs of state are free to decide on the composition of the preference points, provided at least one point is awarded for HDI status. The other goals that may be taken into account in terms of paragraph 2 (1)(d)(ii)

of the amended Act of 2011, "include the promotion of South African owned enterprises and the promotion of SMMEs" (Pauw & Wolvaardt, 2009, p. 81).

2.2.4 Gauteng Tendering Process

Within the context of this study, the tendering process of the Gauteng departments that is applied by GSSC in procuring good and services above the contract value of R500 000 is stipulated below.

The tendering process of Gauteng's departments can be broken down into the following activities:

- Needs identification: The needs are identified in line with each department's strategic objective.
- Authorisation: Terms of reference/ specifications are compiled for goods and services respectively. The terms of reference have to be approved by a terms of reference committee.
- Requisition of goods and services is completed (by the end-user) and sent to the department's Supply Chain Unit who will forward the requisition to the Gauteng Shared
- Services Centre, for tender administration.
- Appointment of a project champion by Gauteng Shared Services Centre to assist with the administration of the tendering process.
- Advertisement: Tender advertisements are placed simultaneously in the Government
- Tender Bulletin and recommended newspapers. The maximum period allowed between the publication and closing dates of tenders is 28 days.
- Opening of bids and tenders: All tender documents are date-stamped and signed on each page as proof that they were submitted on time and are recorded in the tender register. Late tender documents are not opened but are kept in records in a separate register for late submissions.

- Evaluation for administrative purposes is conducted: All tender documents are evaluated for administrative compliance, such as checking against the requested documents such as a tax clearance, companies that did not submit the correct documentation are recorded and kept in records

- Short listing: The Bid Evaluation Committee checks and verifies that all tender documents comply with the specification or terms of reference and allocates scores to the bids.

- Adjudication: The BEC adjudicates the bid submissions and presentations, based on the evaluation criteria specified in the terms of reference. Price and preference points are awarded and a risk evaluation is performed. All the scores are combined and the bidder with the highest score will be the preferred bidder. A submission is then prepared by the BEC for approval.

- Approval by the Departmental acquisition council (DAC): The Bid Evaluation Committee makes a presentation of its recommendations to the Departmental acquisition council to award the tender to the preferred bidder. After DAC approval, the tender is awarded to the preferred bidder.

- Notification to the bidders: The GSSC through the project champion notifies the bidders about the outcome of their bids. A purchase order is processed and thereafter, goods can be procured.

- Signing of Service Level Agreement: The preferred bidder has to sign a service level agreement with the department before the tender becomes effective.

This procurement process is in place to allow for a fair and a transparent process which grants SMME's an equal opportunity to offer products and services to the department and thus minimise fraudulent activities. This process is guided by the Gauteng Preferential Procurement policy (Department of Economic Development, 2011).

2.2.5 Challenges with the Preferential Procurement Framework Act

Chamberlain argues that regulation should be looked at as a "catalyst of change rather than a driver of change" (Chamberlain, 2006). According to Watermeyer problems with

the PPPF Act occur as a consequence of the principles underlying the procurement system (Watermeyer, 2003).

According to Magoro and Brynard (2010) shortcomings on the implementation of procurement are related to the ambiguities that prevail in the formulation of the preferential procurement policy. "The principles, such as competitiveness and fairness are contradictory, thus one principle must take precedence over the other; as such the process is therefore open to abuse and error given that an individual or group is entrusted with selecting the precedent principle(p.9).

Bolton (2004) argued that the organs of state are given little discretion by national government when awarding tenders. "Organs of state are required to justify non-compliance from the stipulated procedure, and this has a detrimental effect on the implementation of the preferential procurement policy" (p, 627).

According to Bolton (2006), corruption is one of the factors that negatively affect the implementation of the preferential procurement policy. "Government officials are tempted to resort to corrupt practices, either for personal monetary gain or for political reasons" (p.2). Magoro and Brynard supported this stance by stating that the "prevalence of corruption in the procurement process undermines the functioning of the procurement policy as a tool to achieve certain socio-economic objectives" (p.15).

2.3 Benefits of SMMEs in Public Procurement

According to Watermeyer, procurement to SMMEs has been internationally used as an instrument to achieve social benefits such as poverty alleviation and to foster creation of jobs. Some countries use procurement as an instrument to level the playing field for minority groups such as SMMEs. This is done to ensure that SMMEs are not disadvantaged over larger enterprises. A level playing field will not only provide SMMEs with a source of revenue and better value for money for the government, but will also trigger faster and innovative responses to changes in the market environment. Small firms are more flexible than large firms and thus can respond quicker to changes in the environment (Reed *et al*, 2004). These authors summarised the benefits of using

SMMEs as suppliers of products and services to include increased innovation; increased employment generation and economic growth. Benefits of using SMMEs in procurement are explored in the next sections.

2.3.1 Innovation

Generally, SMMEs have limited resources, such as lack of finances and technology; thus these enterprises tend to improvise and innovate in order to produce better products and services as a consequence of the limited resources. SMMEs can introduce new products that bring competitive pressure on other players in the market. According to Major Clark and Moutray (2004b) benefits of supporting SMMEs in participating in public procurement opportunities thus "include contribution to innovation, as small businesses have the ability to generate cutting edge inventions" (p.452).

Mears and Theron identified SMMEs as "the breeding ground for business ideas" (p.21). Olewale and Garwe further supported this by stating that a large part of the creative ideas for new technologies come from SMMEs (Olawale & Garwe, 2010). According to Reed *et al.,* (2004) small businesses are more innovative than large enterprises. "The innovativeness of small firms not only advances technology but also increases employment" (Reed *et al.,* 2005). According to Mogee (2003) small businesses are innovative because of their ability to respond faster to changing market demand, their flexibility and more efficient internal communication structure than larger enterprises.

2.3.2 Employment Generation

SMMEs are an important source of employment. The public sectors of some governments have failed to provide employment to a number of jobseekers. As such governments are leveraging on the employment generation potential of SMMEs. According to Acs and Armington (2003) the employment generation capacity of the SMME sector is higher than large businesses. Large enterprises have a point of saturation, beyond which they cannot absorb more labour without further investment.

FinMark Trust further (2006) emphasised the contribution of new SMMEs to employment by stating that old enterprises grow more slowly than new enterprises. For example "in the twenty-year period from 1985 to 2005, less than 10 percent of new employment positions were generated by large established enterprises" (p.6) . What distinguishes SMMEs in the labour market is the ability "to utilize secondary, or less attractive, resources in the marketplace" (Robbins *et al*, 2000, p.295). These secondary resources are described as "first time entrants into the job market, the long-term unemployed, individuals with minimal educational levels, part-time employees, women, certain minorities, immigrants, casual workers, the previously self-employed and workers under the age of twenty" (Robbins et al., 2000, p.295). A recent study conducted by Abor and Quartey estimated the SMME sector in South Africa to contribute approximately 61% employment (Abor & Quartey, 2010).

2.3.3 Economic Growth

The benefits of using SMMEs as suppliers also include the contribution towards the economic growth of the country. According to Lukács (2005) SMMEs are recognised worldwide as the backbone of economies. Walker and Preuss (2008) stated that procuring from SMMEs can positively influence economic growth. Abor and Quartey (2010) in a study on issues of development in Ghana and South Africa estimated the contribution of SMMEs in South Africa to be approximately between 52% and 57% percent to Gross Domestic Product (Abor & Quartey, 2010).

2.4 Obstacles to SMMEs Participating in Public Procurement Opportunities

Many reasons have been cited for failure of SMMEs. According to Fatoki (2011) failure of SMMEs in South Africa is attributed to limited resources. These limitations prevent SMMEs from improving their performance and taking advantage of business opportunities (Fatoki, 2011). The GEM 2008 study on South Africa's entrepreneurship

environment highlighted that entrepreneurs in South Africa fail due to poor business and management skills (Herrington *et al.*, 2009).

SMMEs experience various obstacles in participating in procurement. Previous research indicated that some obstacles are a "direct consequence of the procurement staff working for government agencies" (Bates, 2009, p.190) and some obstacles are related to the limited resources of SMMEs (Antonites & Truter, 2010;Karjalainen & Kemppainen, 2008).

Empirical evidence from a study conducted on SMMEs located in the north-east of England determined that the majority of SMMEs state resource commitment as the most important challenge in supplying the government (Loader, 2005). This supported an argument raised by Robertson (2003) that emphasised the importance of resources by stating that "availability of resources is important for business development as it enables SMMEs to secure the necessary expertise and raw materials to put entrepreneurial ideas into practice, to be competitive, to survive during unfavourable conditions and to grow" (p.).

Obstacles to participation of SMMEs in procurement include; lack of awareness or knowledge of opportunities; challenges around the use of frameworks; capacity issues and the perceived complexity of procurement processes (Antonites & Truter, 2010; Luiz, 2011; Makgoe, 2008; Ringwald, Lee, & Williams, 2009; C. M. Rogerson, 2001). Another challenge facing SMMEs is late payment for goods and services by government. According to Fortuin (2004), cashflow is also an obstacle that inhibits SMME from participating in procurement, generally tendering conditions provide for payment within 30 days however government seldom pay suppliers on time. These obstacles limit the ability of SMMEs wishing to be involved and participate in public procurement opportunities. Empirical study conducted on the influence of certain resources on the involvement of SMMEs in public procurement in Finland suggested that "obstacles for the low level of involvement in public procurement focus on inadequate resources". This study categorised such resources as information/knowledge resource, administrative resource and supply capacity resources (Karjalainen & Kemppainen, 2008, p.231).

This research report analyses the lack of information/knowledge, administrative resource, supply capacity resource in sourcing procurement opportunities.

2.4.1 Lack of Information/Knowledge Resource

Government tenders are advertised in a wide range of media, for example newspapers; tender journals and tender bulletin websites. However SMMEs experience difficulties in acquiring information on future contract opportunities (Fee *et al.*, 2002). Inadequate access to relevant information is arguably the largest barrier of SMME involvement in public procurement. Findings from a study on small businesses in Gauteng indicated that only six percent of SMMEs surveyed in the study had ever tendered for a government contract, indicating that SMMEs lack knowledge on procurement and tendering processes (FinMark Trust, 2006). This obstacle is further supported by Antonites and Truter (2010) who stated that SMMEs' "lack of involvement in procurement is due to the owner/manager lacking the required business skills to identify opportunities" (p.453). A study on barriers that hinder the success of women entrepreneurs in Gauteng found that most women entrepreneurs lack knowledge in bidding for tenders (Akhalwaya & Havenga, 2012). According to Clover and Darroch (2005), the majority of owner/and managers perceive that business opportunities depend on accessibility of information.

2.4.2 Lack of Administrative Resources

The procurement process requires potential supplier bidding for contracts to complete a tender document and also submit certain requirements such as, for example, a tax certificate. According to Karjalainen and Kemppainen (2008) "the bidding process regulated by procurement legislation is rigorous and resource consuming" (p.231). The public procurement process is perceived to be too burdensome. SMMEs are adversely affected by burdensome requirements of the procurement process; the time is takes for preparing an offer, sourcing of information required and completing tender documentation is considered insensible as the SMMEs are not guaranteed to win the contract (Michaelis *et al.*, 2003). Furthermore SMMEs perceive the procurement

process to be tedious and complex which discourages their involvement in procurement.

According to Luiz (2011) new SMMEs in the procurement market do not have the knowhow and they also find it difficult to understand requirements and the jargon on the tender documentation. Findings from a study on procurement issues at the Gauteng Metropolitan Local Government revealed that there are procedures in the procurement processes of government that hamper SMMEs in supplying to municipalities, SMMEs perceive public procurement processes as complex, costly and time-consuming (Antonites & Truter, 2010). Findings from the SME Growth Index study indicate that SMMEs identified 'reduction of the administrative burden' within the government as one of the critical actions that government needs to take in order to support small business growth (Small Business Project, 2011)

According to Thwala and Phaladi (2009) it is often difficult to obtain reliable records from SMMEs due to poor record keeping. "Poor record keeping is not only due to low priority attached by new business, however but also due to lack of business skills" (p.535); implying that SMMEs lack administrative resources. This is further emphasized by findings from a study conducted by Antonites and Truter (2010) which highlighted that SMMEs struggle with basic administration and record keeping in supplying to local government; "they lack business knowledge and skills in adhering to tender requirements and having the necessary paperwork", such as a tax clearance (p.453).

2.4.3 Lack of Supply Capacity Resource

Morand (2003) found that SMMEs are not able to bid for large contracts as they do not have adequate supply capacity resources to service contracts. Major Clark and Moutray (2004a) defined supply capacity as the "overall ability to meet quantity, quality, and delivery requirements of a contract" (p.457). Furthermore, they argued that some governments bundle contracts in an effort to reduce administrative work. This results in large sizes of contracts, which thus hinder SMMEs' participation in procurement owing to their lack of resources (Major Clark & Moutray, 2004a). Remedies such as consortiums and collaborations have been suggested in an effort to remain competitive,

build the capacity of enterprises and to save on costs. Loader (2007) pointed out that "collaborations are recognised as a vehicle for obtaining cost savings by achieving economies of scale" (p.309). This was supported by Walker and Preuss (2008) in the study focusing on sustainable procurement, suggesting that supplier consortia could provide means for SMMEs to improve supply capacity. However, evidence suggests that SMMEs seem reluctant to become part of consortia owing to the various heterogeneous characteristics of SMMEs; and the attitude and motives of the owner/manager (Morrissey & Pittaway, 2004b).

Another study argued that the duration of the contract is another obstacle; the term of a contract reduces the number of tendering opportunities for SMMEs to take on due to SMMEs limited supply capabilities (Smith & Hobbs, 2001). According to Arend and Wisner (2005) a "longer contract requires an SMME to tie up resources acquired over the duration of a contract and consequently inhibit the SMMEs in participating in other procurement opportunities" (p.3).

According to Olawale and Garwe (2010) SMMEs are often owned and controlled by the owners, as such the owners' skills and abilities will have major influence on the success or failure of the enterprise. The non separation between ownership and control in SMMEs suggests that business owners are in charge of the direction and development of their firms (Ahmad, Halim, & Zainal, 2010). This argument is also emphasised by Morrissey & Pittaway (2004a), by highlighting the importance of owner/manager attitude and procurement behaviour in influencing the operations and performance of SMMEs. Empirical evidence gathered in a study conducted on SMMEs in the Chicago region, USA, indicates that the owner trait of SMMEs "exemplifies the disproportionate participation of stronger SMMEs in public sector procurement" (Bates, 2009:186).

According to Karjalainen and Kemppainen (2008), it is not just the actual resources of SMMEs that affect their involvement in public procurement; it is also owner/manager's perception of SMMEs resources and capabilities that affects operations and performance of SMMEs. Therefore "involvement of SMMEs in public procurement is based on actual resources and perceived resources" (p.232).

2.5 Impact of Participation In Government Procurement

Business growth is generally measured using changes in sales, assets, employment, and profit margins. According to Barringer, Jones, and Neubaum (2005), sales may be considered as a precise indicator of the competiveness of a company in the market for reasons such as that; it is usually readily available and the business owners themselves place significant value on sales as an indicator of performance. Sales are easier to measure and more likely to be recorded (Barringer *et al.*, 2005). Contrary to this argument of sales as a measurement tool; some researchers studying business growth in developing countries use employment growth as a measurement for business growth. This is based on an argument that; it is often difficult to obtain reliable financial data as small enterprises have challenges of keeping records and are sometimes reluctant to disclose financial indicators. They further assert that business owners are more likely to recall the number of employees as compared to sales; thus employment growth is a better measurement for business growth (Bigsten & Gebreeyesus, 2007; Robson & Obeng, 2008). For this reason growth in this study will be measured using the number of employees each SMME appoints as a result of participation in procurement, i.e. after winning a contract to supply the government with goods and services.

Empirical evidence on small business conducted in 2010 in South Africa estimate that there were six million small businesses in South Africa. 67% of the SMMEs do not employ anyone other than the business owner (FinMark Trust, 2010). More accurately, there are about 1,5 million SMMEs that employ between one and four employees each; and approximately 300,000 small businesses in South Africa employ more than five people.

According to Kesper (2001) SMMEs "usually experience growth in sales; however choose not to increase their employees in an effort to reduce labour costs. The owner / and manager of SMMEs outsources labour resources as a means to avoid incurring permanent labour costs" (p.27). According to Small Business Project (2011) SMMEs stress that flexibility in staffing arrangements is a critical factor for small businesses to survive. The difficulty and expenses involved in taking new employees is seen as a high risk. Therefore SMEs prefer making existing staff more productive, rather than taking on

new people to avoid the risk. This suggests that granting SMMEs government contracts may not necessarily result in employment creation (Kesper, 2001). Contrary to this argument, empirical evidence from a study conducted on utilising preferential procurement in public sector procurement in Chicago, USA, revealed that "procurement spending translates into increased employment when procurement contracts are more accessible to SMMEs" (Bates, 2009,p.191). This supports an argument that was raised in a study conducted on the effect of changing a preferential program in California, USA that concluded that elimination of a preferential program limits employment opportunities along with procurement opportunities, suggesting a correlated relationship (Myers, 2006).

2.6   Summary

This chapter has shown how procurement plays a role in the growth of SMME sector. Preferential procurement policy was also discussed as an instrument to 'level the playing field' between large enterprises and small enterprises. The different obstacles for the lower level of involvement of SMMEs in public procurement, focusing on inadequate resources, were discussed and also the relationship between actual resources and perceived resources. The outcome of participation in public procurement was also looked analysed.

Having described the resources that SMMEs lack to enable participation, the next chapter lists the relationships to be tested between the perceived resources required by SMMEs and their involvement in procurement. These perceived resources have been drawn from the literature discussed above. Chapter 3 also demonstrates a concept model that includes the relationship between participation of SMME in procurement and the growth of SMMEs as an outcome that results from participation.

CHAPTER 3: CONCEPTUAL FRAMEWORK AND HYPOTHESES TESTED IN THE STUDY

3.1 Introduction

This chapter describes the conceptual framework tested in this research report. The constructs indicated in the model and the motivation for the hypotheses that were tested was drawn from the literature discussed in the previous chapter.

Figure 3.1 The conceptual framework to be tested in the study
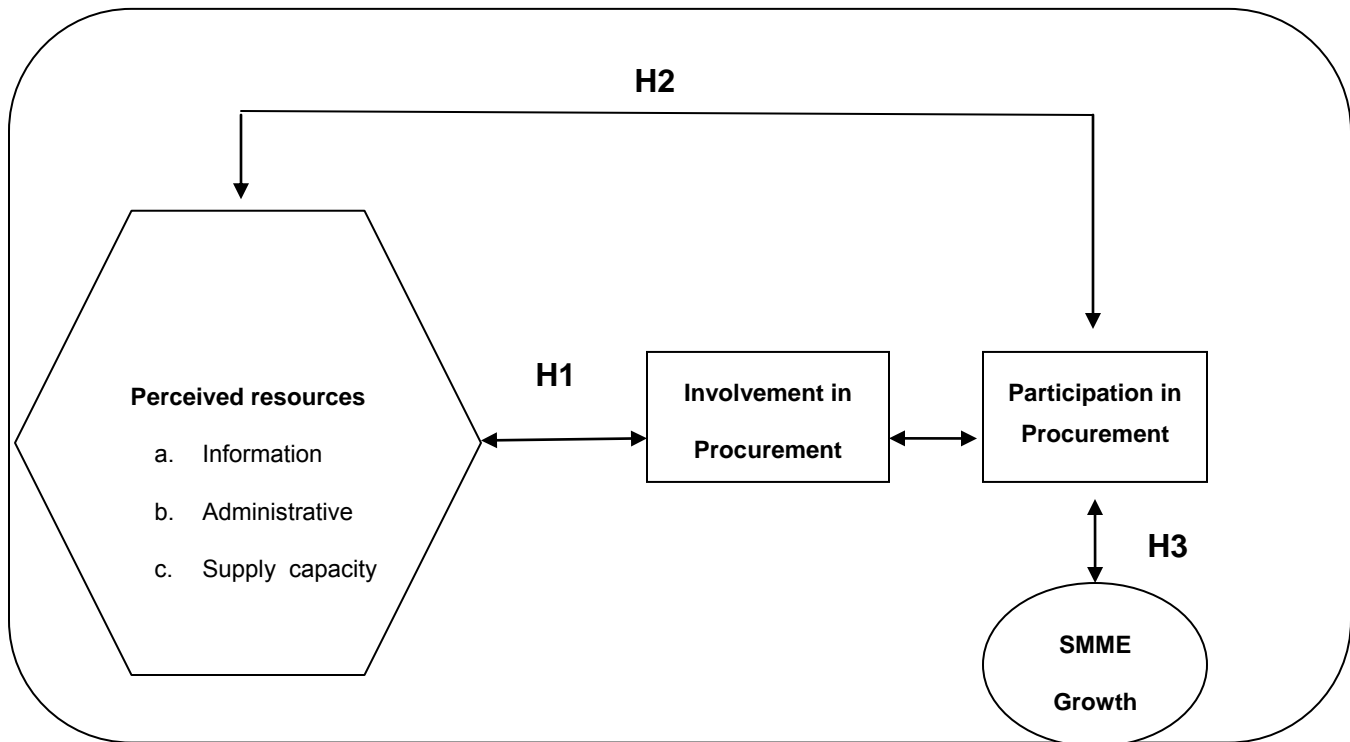
Table 3.1 below presents the four constructs investigated in this research report. These constructs are differentiated by dependent variables and independent variables.

Table 3.1 The four constructs differentiated in terms of dependent variables and independent variables

Hypotheses	Independent variables	Dependent variables
H1	Perceived resources availability Information resource Administrative resource Supply capacity resource	Involvement in procurement
H2	Perceived resources availability Information resource Administrative resource Supply capacity resource	Participation in procurement
H3	Participation in procurement	Enterprise growth

Three relationships are investigated in this research report:

- H1, the Independent variables (IV) perceived resources availability are related to the dependent variable (DV), involvement in procurement

- H2, the Independent variables (IV) perceived resources availability are related to the dependent variable (DV), participation in procurement

- H3, the dependent variable (DV) employment generation of SMME is related to the independent variable (IV), participation in procurement

Table 3.2 below presents the key variables used as constructs and measure for these constructs.

Table 3.2 Key measures of variables

Variables	Measure	Scale
Perceived resource	Information resource required for tendering Administration resource required for tendering Supply capacity resource resource required for tendering	Significance (1 none–5 high)
SMME involvement	Bidding for government contracts	Yes/No
SMME participation	Government contracts awarded	Yes/No
Enterprise growth	Increase number of employees	Yes/No

3.2   Independent variable

According to Leeby and Ormond (2013) An Independent variable is a variable that influences the dependent variable. It is the possible cause of an effect (p40,226).

The independent variable in this research report was the perceived resourced employed by SMMEs that influenced their involvement and participation in preferential procurement. The perceived resources were measured by assessing the owner/and manager recollection of the resources they used most in tendering. Participation was measured by assessing the number of times an SMME won a tender.

3.3   Dependent variable

According to Leeby and Ormond (2013), "dependent variable is a variable that is potentially influenced by the independent variable" (p.226).The dependant variable in this research report was involvement and participation of SMMEs in preferential procurement. Involvement was measured by assessing the number of time an SMME tendered for a contract. Participation was measured by assessing the number of times an SMME won a tender.

The other dependent construct that was investigated in this research report was the growth of SMME after participating in preferential procurement. For the purpose of this study, growth is measured according to employment generation. Thus the number of employees after participating in preferential procurement was the measurement tool used to assess growth of SMME.

3.4   Hypotheses

Leeby and Ormond (2013) define a "hypothesis as a logical supposition, a reasonable, tentative proposition, an educated conjecture about a solution. It provides a tentative explanation for a phenomenon under investigation" (p.3) It is hypothesized in this research that SMMEs' perception of resource availability and actual involvement in public procurement are related. To investigate the perceptions of SMME on different

resources that influence involvement in government procurement; the first hypothesis is specified into three testable relationships as follows:

Hypothesis 1

H1a: SMMEs perceive information resource to be a significant resource that influence involvement in preferential procurement

H1b: SMMEs perceive administrative resource to be a significant resource that influence involvement in preferential procurement

H1c: SMMEs perceive supply capacity resource to be a significant resource that influence involvement in preferential procurement

Hypothesis 2

H2a: SMMEs perceive information resource to be a significant resource that influence participation in preferential procurement

H2b: SMMEs perceive administrative resource to be a significant resource that influence participation in preferential procurement

H2c: SMMEs perceive supply capacity resource to be a significant resource that influence participation in preferential procurement

Hypothesis 3

H3: SMMEs that participate in preferential procurement are more likely to increase employment

3.5 Chapter conclusion

This chapter conceptualised a framework of hypotheses that was tested. The following chapter discusses and defends the research methodology used in this research report to test the above discussed relationships.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The study was aimed at examining the perceptions of SMMEs on resources required to enable involvement and participation of SMMEs in preferential procurement. The perceptions were assessed by means of a web-based self-administered questionnaire. Perceptions of Small Medium Micro Enterprises (SMMEs) on public procurement are influenced by an individual's involvement in the procurement process and their experiences in public procurement. The expected findings of this study have implications for SMMEs and public procurement organizations. The above mentioned parties will be able to better design suitable measures and practices that address the involvement and participation of SMMEs in preferential procurement.

The respondents were encouraged, through the cover letter, to answer in a truthful manner in order for the researcher to generate an understanding of their perceptions on resources to participate in public procurement. Confidentiality and anonymity of the responses was assured to the respondents. The questionnaire was developed by the researcher. The formulation of the questionnaire is grounded in the literature study and attainment of research objectives.

4.2 Research design

The choice of methodology for the research is quantitative and descriptive in nature. Descriptive research was most applicable for this research because according to Zikmund (2003), it is "designed to describe characteristics of a population or a phenomenon" (p.55). Application of the theory base to this research study yields resources in relation to successful participation in preferential procurement. A descriptive method seeks to determine the answers to who, what, when, where and how questions, and in this instance:

- What are the resources that influence involvement and participation of SMMEs in preferential procurement?

- What was the relationship between resources and participation in preferential procurement?

- What was the relative influence of each of the resources on participation of SMMEs in preferential procurement?

- How does participation in preferential procurement impact employment generation of SMMEs?

A web-based survey was used. A survey allows the collection of data from a "sizeable sample of the population in an economical way" (Saunders, Lewis & Thornhill, 2009, p. 144). Only SMMEs that are involved in the preferential procurement process were eligible to be included in the sample. The role of SMMEs in public procurement has previously been discussed based on empirical evidence that has been collected through qualitative interviewing and case studies (Caldwell *et al.*, 2005). In order to contribute to the existing literature this research report denotes a conceptual model with probabilistic relationships which then calls for data collection via experiments or surveys (Hak and Dul, 2007). The survey method was chosen for investigating the perceptions of SMMEs on resources required to participate in preferential procurement because experiments are not feasible.

4.3   Population

Population means "a complete group of entities sharing some common set of characteristics" (Zikmund, 2003, p.369). Zikmund (2003, p.373) suggested that we pose a question as "to whom do we want to talk?"

The population consisted of the Gauteng Shared Service Centre (GSSC) database of approximately 4659 MMEs that have been involved in preferential procurement since April 2009 to March 2012 with the Gauteng provincial government. The Gauteng Shared Service Centre was established by the Gauteng Provincial Government in 2001 to

provide support services, such as procurement services amongst others, to all the departments of the Gauteng provincial government. Gauteng Shared Service Centre receives annually approximately R4 billion to expend on goods and services on behalf of Gauteng departments. A recent conference in London on "Driving Public Sector Efficiency through Transformation and Shared Services" had the Oxfordshire County Council citing the GSSC as the only public sector shared service centre on the African continent and one of the largest, in terms of scope, in the world, and an exciting example of successful, large-scale initiatives from which they could learn from. This database contains company information such as company name, contact telephone and fax number.

This research report relied on SMMEs that have been involved in preferential procurement at least once within a period of three years to the date of participation in this research report. Involvement refers to SMMEs' participation in tendering opportunities through which they have a chance of supplying government with goods and services. "SMMEs include small, medium and micro enterprise consisting of 1 to 200 staff members" (Republic of South Africa Government, 2004, p.2). The definition of SMMEs used is based on the National Small Business Act of 1996 as amended in 2004.

A population criterion as indicated in table 4.1 was applied at the start of the questionnaire. Respondents that did not meet the population criteria were disregarded and not included in the research report. This was done to filter the sample of SMMEs and determine whether the respondent was eligible to complete the survey.

The population criteria were set for the following reasons:

SMMEs' involvement in tendering was considered significant as only SMMEs that had tendered before were most likely to have had the most comprehensive understanding on resources that were critical in influencing the involvement and participation in preferential procurement. The time limit of three years was enforced in an effort to limit retrospective bias and counter memory distortion.

Table 4.1 Population criteria

Population Criteria	Qualifying Value
Company Involved in tendering	Yes
Tendering horizon	< 3 Years

4.4 Unit of analysis

According to Zikmund (2003) the unit of analysis refers to the "what" of the study, what object, phenomenon, entity, process or event the researcher is interested in studying. Unit of analysis can be categorised into four different units of analysis in social science, namely individuals, groups, organisations and social artefacts (Zikmund, 2003).

This research report uses one set of analysis, namely the owners and/or managers of SMMEs who have been involved in preferential procurement. The owner and/or manager was considered to be the suitable unit of analysis as this research report was concerned with exploring perceptions of owner and/or manager on resources required to influence the involvement and participation in preferential procurement. Furthermore it is vital to note that information cannot be extracted from the SMME itself due to its abstract nature; the owner/manager was the main source of information. As such information obtained from the owner/manager was deduced to the organisation.

4.5 Sampling method

Sampling is the "process of using a small number of items or parts of a larger population to make conclusions about a whole population. Thus, a sample is a subset, or some part, of a larger population" (Zikmund, 2003, p.369). In this research report, the chosen sampling method was probability sampling. According to Saunders, Lewis, and Thornhill (2009) with probability sampling the chance, or probability, of each case being selected from the population is known and usually equal for all cases. Probability sampling is often associated with surveys (Saunders, Lewis, & Thornhill, 2009, p. 213). A probability sampling method was used to select SMMEs registered on the GSSC database that had been involved in preferential procurement at least once within the past three years to the date of participating in the research report.

More specifically, simple random sampling was used to select respondents from the database.

The benefits of this sampling method include the ability to obtain as significant number of completed questionnaires efficiently and cost effectively (Zikmund, 2003).

4.6   Sample size

A random sample of 100 respondents was selected with the aim of obtaining a 50% response rate. The sample for this study was randomly selected from 4659 SMMEs in the database of the GSSC. The database included information on company name, telephone number and address.

Out of the 100 targeted respondents, 64 responded to the questionnaire. Of these 64 respondents, 3 were excluded as a result of failing to meet the population criteria of participating in the decision making process of whether a company tenders or not. Another 7 respondents were excluded as a result of failing to meet the population criteria of having been involved in supplying a government department in Gauteng in the past three years. A further 2 respondents were excluded as a result of incomplete data and one respondent had opted out of the study. This left a total of 52 responses to be utilised for the purpose of analysis. Therefore a total of 52% completed questionnaires were used for the analysis. The response level of 52% was considered acceptable for the purpose of the analysis as it resulted in a 13.6% error rate at 5% significance level.

4.7   Data collection

This study collected primary data. According to Zikmund (2003, p175) primary data is "information collected for the specific purpose at hand". Research approaches for gathering primary data include observation, surveys and experiments. Each research approach is associated with different tools or instruments, which could have different forms like tabular, questionnaire or graphical form. In this research, the aim of the data collection was to extract, count, analyse and interpret perceptions of SMME on resources required to be involved and participate in preferential procurement.

4.7.1 Research instrument

To obtain the primary data a self-administered web-based questionnaire was used to collect the data. The main method used was electronic through emailing the potential respondents.

Respondents were emailed a cover letter inviting them to participate in the research study and explaining the objectives of the study. The online tool used was Survey Monkey. The email sent out to respondents included a link to the online questionnaire, however the link was email URL embedded therefore the link could only be accessed by the respondent and could not be forwarded.

The time period and budget were limited and influenced the decision to conduct a self-administered web-based survey. A questionnaire was used as a research instrument because potential respondents were scattered over a wide geographical area, and interviewing would have been time consuming and expensive.

Kelly (2003:261) identified the advantages of using a questionnaire as a research instrument as follows:

- Ability to cover a wide range of respondents
- Low labour costs
- Respondents cannot be coached to skew the quality of data
- Respondents can complete the questionnaire at any time that suits them

4.7.2 Design of the instrument

The self administered web-based questionnaire was designed using close-ended questions aimed at identifying the perceptions of SMME owners and/or managers regarding resources they needed to be involved and participate in supplying the government through the preferential procurement policy. The questionnaire consisted of four sections. One of the sections of the self administered web-based questionnaire used scale ratings from one to five. The number 1 represented 'not important at all' and the number 5 'very important'. The different sections of the questionnaire are described below;

The first section comprised of screening questions to first distinguish whether the respondent did in fact make or influence tendering decisions and has in fact tendered in the last three years. The section also determined the demographics of the respondent in relation to the legal status of the business, age of the firm, the sector in which the business operates and the number of employees employed.

The main section of the questionnaire included statements reflecting resource constructs measured against an interval scale. All statements in this section were measured on a five point likert scale. The data gathered in this section explored past experience of the respondent in preferential procurement such as the number and value of contracts the business tendered for and perceptions on resources that enable involvement and participation of respondents in preferential procurement.

The last section of the questionnaire assessed the outcome of participation of respondents in preferential procurement. Questions referring to business growth as a result of participation were posed, specifically in relation to the employment generation of the business.

In order for this instrument to be reliable and valid; questions were appropriately constructed. Reliability refers to the extent to which data collection technique or analysis procedures will yield consistent findings (Saunders, Lewis, & Thornhill, 2009, p. 156). The anonymity of respondents in the questionnaire as well as the assurance that they could withdraw at any time without penalty would have given some degree of dilution to potential participant bias. The standard design of the questionnaire for all respondents would have lessened the threat to reliability.

Validity is concerned with whether the findings are really about what they appear to be about (Saunders, Lewis, & Thornhill, 2009, p.157). Targeting respondents involved in the procurement process was a measure to strengthen the validity of the data, as these were the individuals who would have had a better understanding of resources required to be able to be involved and participate in preferential procurement.

4.7.3 Data collection procedure

The self-administered web-based questionnaire was pre-tested in a pilot study using five of the respondents. The participants for the pilot study were contacted via telephone and asked whether they would be willing to participate in a survey. Those who were willing were requested to provide their email addresses and were thereafter forwarded a link to the survey. Respondents were requested to complete the survey within one week from date of receipt. One of the respondents approached requested proof that GSSC had granted permission to use the database, with reasons that she wanted to validate that the research was not a fraudulent activity. Only three respondents completed the survey and sent through their comments via email, whose feedback was incorporated into the final draft of the questionnaire that was sent to the rest of the sample.

The rationale for the pilot study was as a measure to improve the questionnaire for any errors and inconsistencies.The self-administered web-based questionnaire was accompanied by a cover letter. The purpose of the cover letter was to formally invite the companies to participate in the research and to introduce the topic and the research objective to the respondents. The cover letter also explained how the questionnaire was to be completed, assured respondents of the anonymity of the responses and encouraged the respondents to complete the questionnaire in an honest and truthful manner.

The self-administered web-based questionnaire was distributed electronically to 100 SMMEs who met the research population criteria. Three reminder emails were sent out to the respondents in an attempt to remind and encourage them to complete the survey. The data was collected in a period of 4 weeks.

4.8 Method of analysis

4.8.1 Statistical procedure

Following the completion of collecting data; the data was cleaned, coded and exported to SPSS statistical software. Various statistical analyses were carried out on the data.

These included descriptive statistics, which summarises the general nature of the data obtained (Leeby & Ormond, 2013, p.10), such as reliability coefficients, factor analysis of variance, and correlation coefficients.

The objective of the research was to establish and analyse relationships between perceived resources required and participation of respondents in preferential procurement. Dependent variables are defined as "variables that change in response to other variables and independent variables are defined as variables that causes changes in a dependent variable" (Saunders, Lewis, & Thornhill, 2009, p. 266). Three relationships were investigated in this study. The first relationship investigated the independent variable, perceived resources in relation to the dependent variable, involvement in procurement. The second relationship investigated the independent variable, perceived resources in relation to the dependent variable, participation in procurement. The third relationship investigated the dependent variable growth in relation to employment generation of the SMME in relation to the independent variable participation in preferential procurement. Furthermore a comparison of the perceived resource to the actual resource was conducted.

Factor analysis was used for data reduction. Data reduction is concerned with the reduction and summarisation of available data to make it more manageable. Factor analysis was employed to examine the correlations amongst the various variables and to identify clusters of highly interrelated variables that reflect underlying themes, or factors within the collected data. The factor analysis was applied to reduce many attributes that were measured to just a few variables.

The research report made use of test such as the Cronbach's alpha, a paired sample t-test as well as the Chi square test for independence. Theses statistical tests are described below. Cronbach's alpha was used to assess the internal consistency (reliability) of items in a scale. Internal consistency describes the extent to which all the items in a test measure the same concept or construct. It ranges from zero to one and the closer the Cronbach's alpha coefficient is to 1 the greater the internal consistency of the items in the scale (Pallant, 2010).

A paired sample t-test compares was used to test the means from two samples when each element of one sample is matched to its corresponding element of the other sample. This paired t-test examines the mean of individual differences of paired measurements and thus is appropriate for pre-post situations (Saunders, Lewis, & Thornhill, 2009). In this research it was used to compare the number of employees before winning a tender against the number of employees after winning a tender.

Chi squared test was used to assess whether there was a relationship in variables. It is used where there are two categorical variables from a single population. It is used to determine whether there is a significant association between the two variables (Saunders et al., 2009). When using Chi square test, the expected values for each cell should not be less than 5. In instances where the sample size is small resulting in expected values of less than 5 being experienced in some cells then a Fisher's Exact Test was used. A Fisher's exact test is a statistical significance test that was used in the analysing contingency tables.

4.9 Limitations

4.9.1 Population validity

The use of non-probability sampling techniques limits the extent to which findings can be deduced to the population by its nature (Welman & Kruger, 1999). Therefore the findings cannot be accurately expanded to the population. The survey results thus must be interpreted as representative of the sample of SMMEs.

4.9.2 Sample bias

The sample was biased towards only selecting SMMEs that are registered in the GSSC database and excluded other SMMEs that tender with other agencies in Gauteng.

The sample was also biased towards selecting only SMMEs in Gauteng. This limits the extent of the population as it also only selects companies located in Gauteng and therefore may not be reflective of the rest of South Africa (Saunders et al., 2009).

4.9.3 Context of the study

Contextual factors such as the economic environment contributed to the limitations of this study due to numerous factors that could have affected participation of SMME and its growth, such as the economic crises. There is also limited comparative literature on resources required by SMMEs to participate in public procurement due to insufficient research being conducted in this area. This limitation was considered to be an acceptable limitation for this study as this research could not control for contextual factors (Saunders et al., 2009).

4.9.4 Respondent retrospective bias

The study analysed at a retrospective period of the past three years therefore respondents may have made unintended misrepresentations.

4.10 Chapter conclusion

This chapter defended the methodology used for the research study. More detail regarding the population, unit of analysis, sampling method and data gathering procedure was provided. Furthermore, the method of analysis was discussed and methodology limitations were explored.

The following chapter presents the descriptive results of the research study.

CHAPTER 5: RESULTS

The results of this research study regarding the perceptions on resources required by Small, Medium and Micro Enterprises (SMMEs) to participate in preferential procurement is presented in the following order:

- Description of the sample

- Description of the demographic distribution of the respondents

- Description of qualification for preferential procurement

- Description of the allocation of contracts

- Results of the analysis

5.1   Description of the sample

The questionnaire was sent to a sample of 100 SMMEs of which 64 responded. Three responses had to be discarded for failing to meet the population criteria about respondents participating in deciding on whether the company tenders or not. A further seven fell outside the population criteria of the company having participated in a bid to supply goods or services to any Gauteng government department. Two respondents did not fully complete the questionnaire. Thus, a total of 12 responses were removed from sample leaving a total of 52 survey responses used for the analysis. The removal of these responses was deemed necessary to ensure that the data collected adhered to the research intent. A sample of 52 from a population of 4659 registered and active SMMEs resulted in an error rate of 13.6% at 5% significance level. Thus a 95% confidence level was reached that, had the entire population participated, the results would not have been more than 13.6% different from the results obtained from the sample of 52.

5.2   Demographic distribution of the respondents

Demographic variables of the respondents are presented such as the position of respondent, the legal status of the business, the number of years of trading, number of employees respondents employ and the economic sector in which the respondent trades.

5.2.1 Respondents' Position in the Business

Concerning the role or position of the respondent in the business; the majority (48%) of respondents were owners of the business, 37% were both owners and managers, while 15% were managers, as illustrated in figure 5.1. Small businesses are generally owner-managed therefore it comes as no surprise that a significant number are owner managed entities

Figure 5.1 Distribution of respondents by position
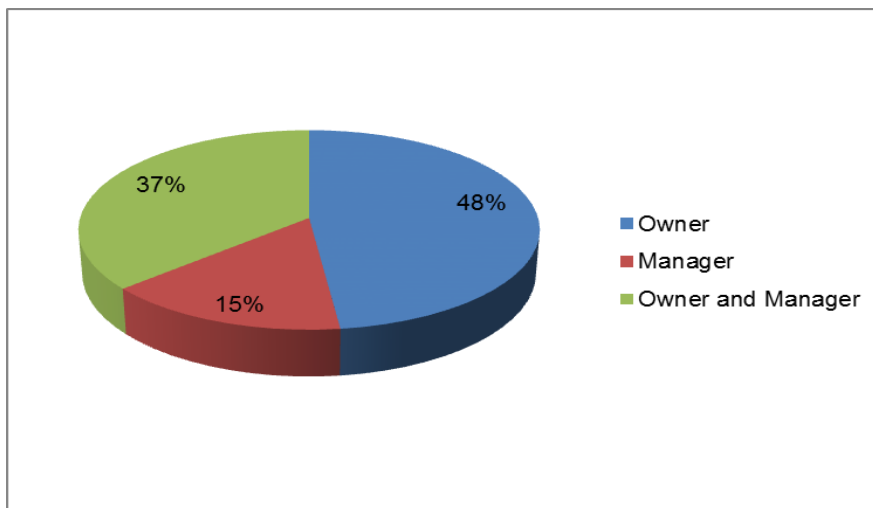
5.2.2 Legal Status of the Businesses

With regard to the legal status of the business which respondents operate, of the 52 respondents, half (50%) of respondents were found to operate as close corporations; 42.3% operated as private companies; 3.8% operated as a sole trader and 3.8% as partnerships (represented in figure 5.2 below).

Figure 5.2 Legal status of respondents' businesses
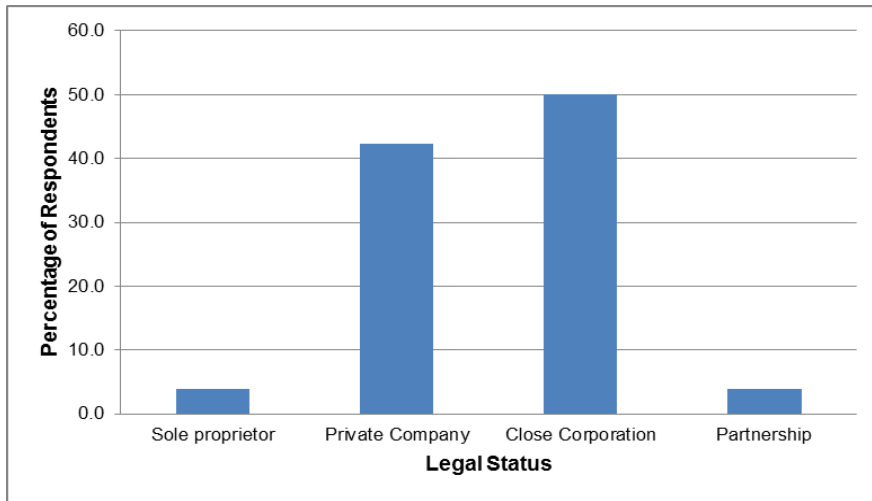
5.2.3 Years of Trading

The majority of respondents (82.7%) have been in business for more than three years and can be classified as established businesses while 17.3% are start-up businesses, according to the GEM classification (Simrie *et al.,* 2011) (refer to figure 5.3 below, as well as table 3.in appendix C). The business trading period ranges between one and 12 years, while the average trading period is 5.44 years (table 5.1).

Figure 5.3 Distribution of the business trading years
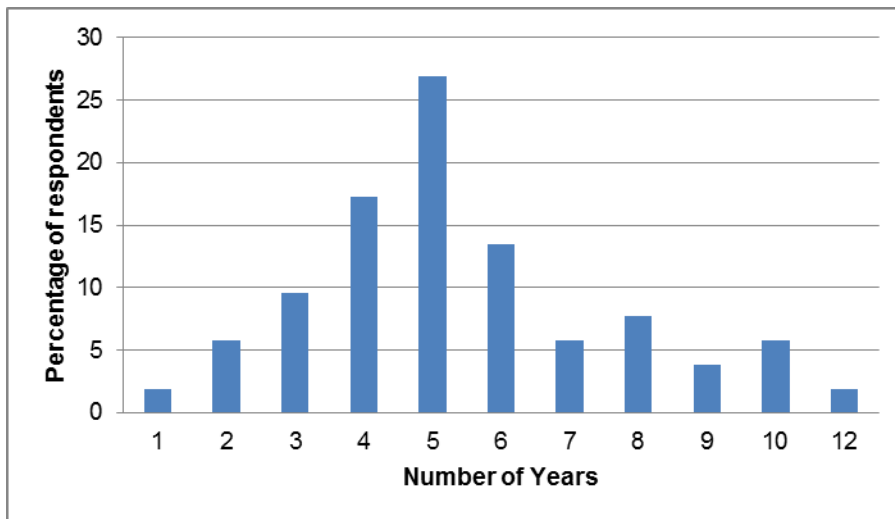
Table 5.1 Descriptive statistic for trading years

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Number of Years Trading	52	1	12	5.44	2.313

5.2.4 Number of Employees

The majority of the businesses in the sample (46%) were micro businesses with fewer than 5 employees. A further 38% can be classified as very small enterprises employing between six to 20 employees, while 6 % were classified as small enterprises employing between 21 and 50 employees and 10% are medium-sized enterprises employing between 51 to 200 employees (fig 5.4).

Figure 5.4 Distribution of enterprises by size (number of employees)
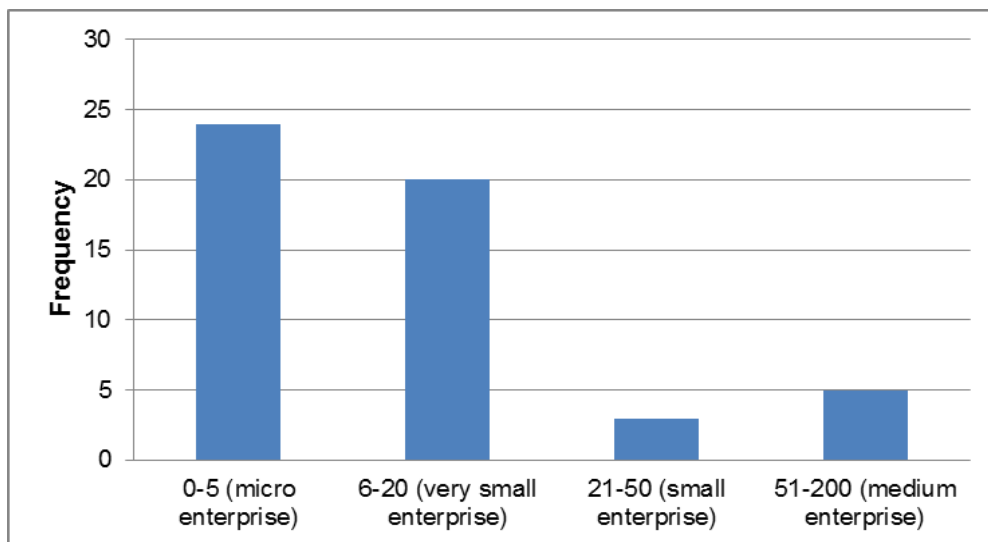
The average number of employees for businesses sampled was 16 employees with a standard deviation of 24 employees. The number of employees per enterprise ranged between two and 120 as depicted in the table 5.2 below.

Table 5.2 Descriptive statistics on number of employees

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Number of Employees	52	2	120	16.23	23.719

5.2.5 Economic sector

With regard to the economic sectors in which the businesses operated, more than a third of the businesses (37%) operate in the 'business service sector'; 27% in the 'construction/mining business sector; 25% in communication sector and 10% in Manufacturing (figure 5.5. and table 5 in appendix C). The complement of the other sectors account for less than 10% each, such as healthcare, education and social services, catering, transport, customer service and finance.

Figure 5.5 Distribution of the businesses by economic sector
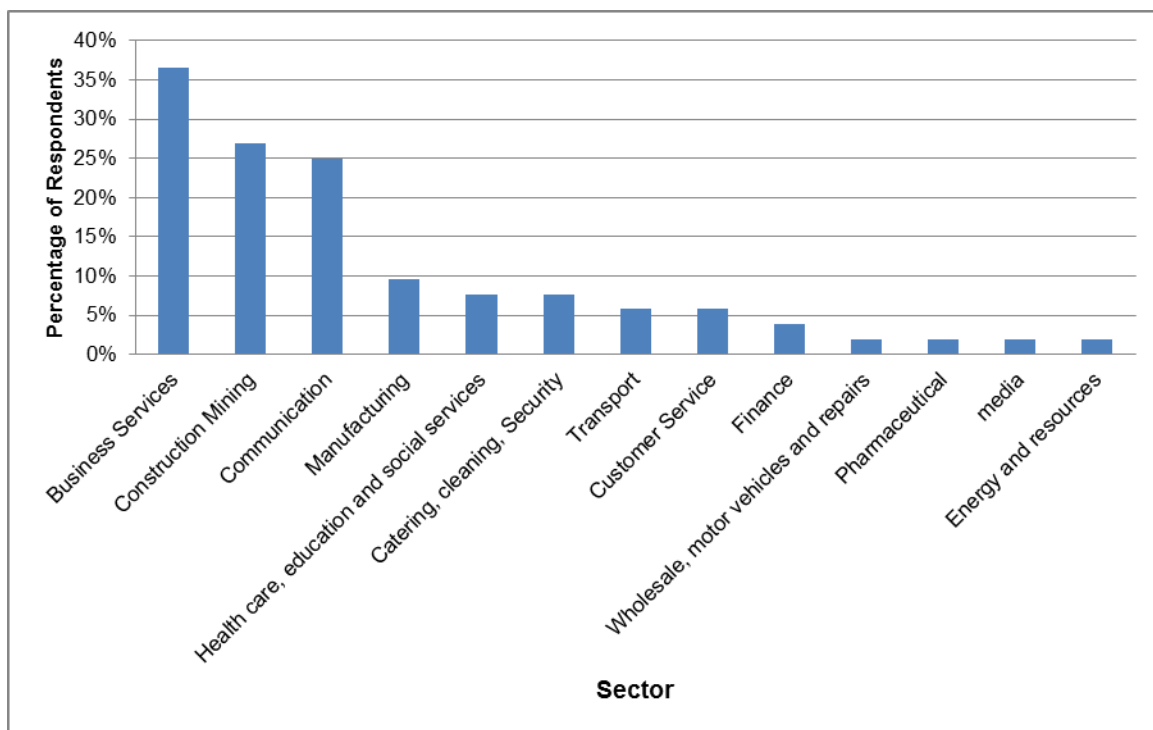
5.3   Qualification for Preferential Procurement

5.3.1 Ownership

Most of the businesses surveyed qualify for preferential procurement because of black ownership (94%), 20% of businesses were owned by women, 2% by disabled individuals and another 2% by youth, as illustrated in Figure 5.6.

Figure 5.6 Distribution by HDI ownership
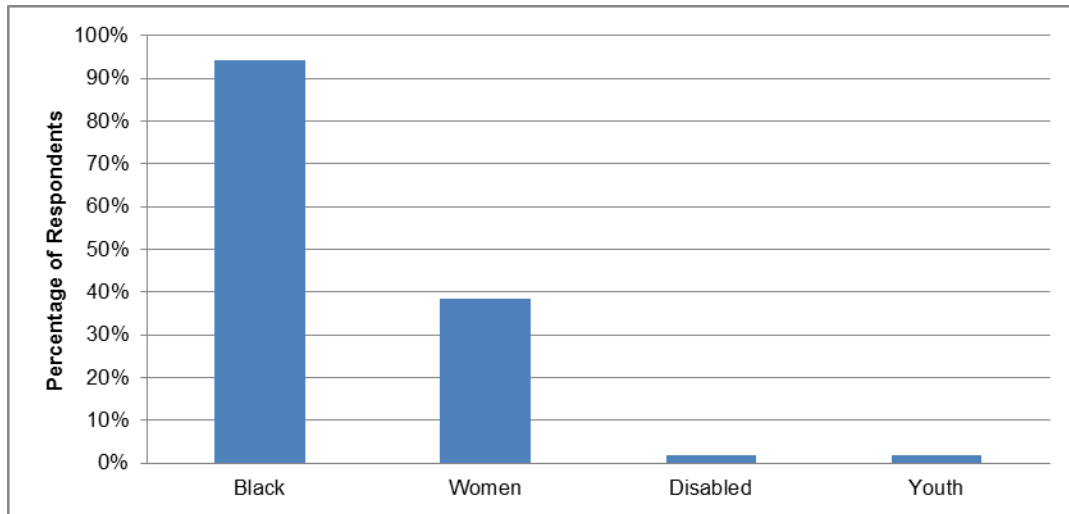
5.4   Tendering and Winning of Contracts

This section presents results on the number of tender bids submitted, the value of tender bids submitted, contracts awarded to respondents, the bidding success rate and the proportion of turnover accounted for by government contracts.

5.4.1 Tenders submitted in Gauteng

From the responses to the question "How many tenders have you submitted in Gauteng in the past 3 years", a minimum of 1 to as many as 40 tenders had been submitted, with an average of 8.56 (Table 5.3) per SMME.

Table 5.3 Descriptive statistics on number of tenders submitted

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Tenders submitted in Gauteng in the past 3 years	52	1	40	8.56	7.601

In figure 5.7 the results are grouped and reveal that for tenders submitted in Gauteng in the last three years, 36.5% submitted between one and four, 26.9% submitted between five and eight tenders whilst 36.5% submitted nine or more tenders.

Figure 5.7 Distribution by number of tenders submitted
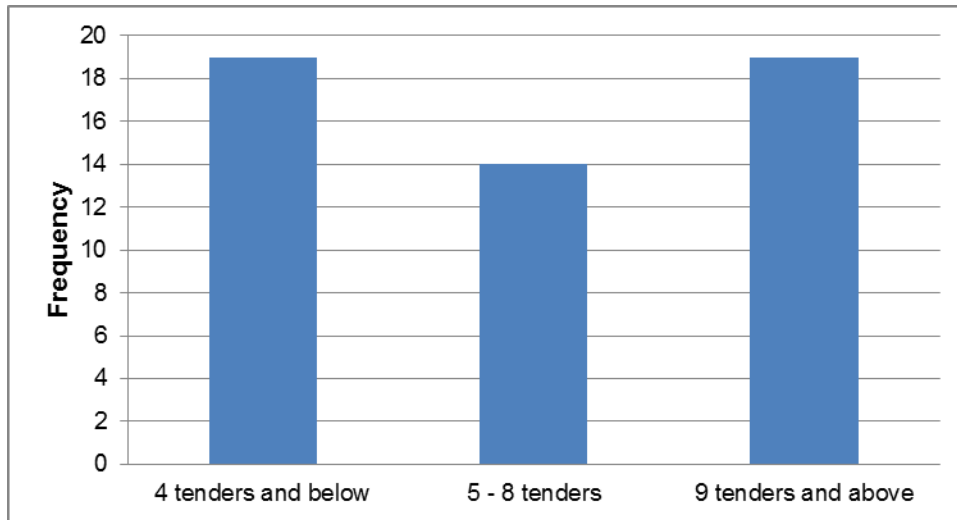
5.4.2 Value of contracts tendered for

Respondents were asked to select one of three categories in which the value of the majority of their bids in the past three years could be classified. Overall, businesses bid for contracts in all categories as shown in the figure 5.9 below. The majority of the bids were for a value above R500 000 (86%) with 44% fell in the category R500 000 to R1 million and 42% with an average value of more than a million. Only 14% of the bids were of an average value below R500 000.

Figure 5.8 Value of contracts bid for
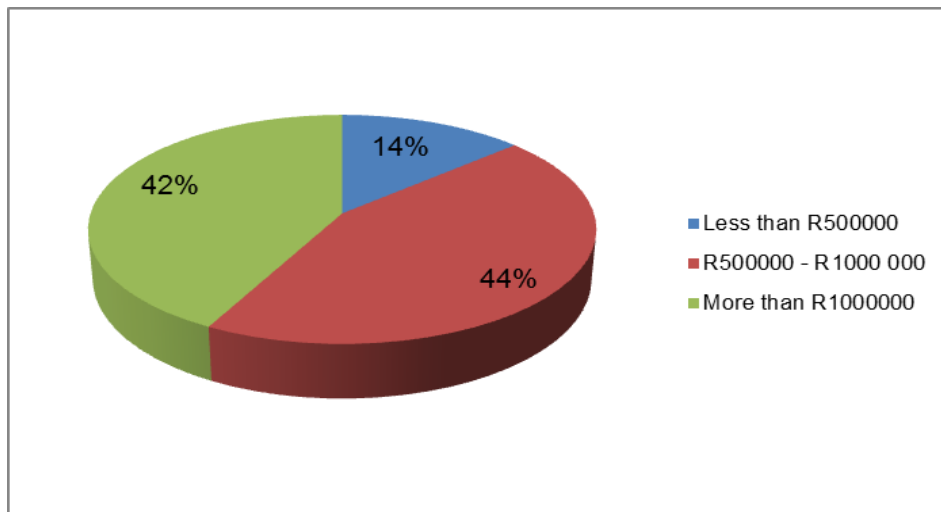
5.4.3 Contracts awarded by Gauteng government to respondents

Nearly two thirds of the businesses (63.5%) have been awarded a contract by a Gauteng government department in the last 3 years, while one third (36.5%) have not been awarded any contract in the last 3 years, as depicted in table 5.4

Table 5.4 Distribution of contracts awarded

Awarded a contract by any Gauteng government department in the last 3 years					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	63.5	63.5	63.5
	No	19	36.5	36.5	100.0
	Total	52	100.0	100.0	

5.4.4 Value of Contracts awarded by Gauteng government to respondents

Table 5.12 shows a cross tabulation that indicates the value of the majority of contracts bid for most often in the past three years in relation to the awarded contract by any Gauteng government department in the last 3 years. From the table it follows that more of the respondents (71.4%) bidding for tenders below R500 000 were successful than for tenders above R500 000 (60.9% and 63.6% for the two categories respectively). However, this should be seen in context as the numbers of respondents who bid in the categories of between R500 000 to R1 million and R1 million and above are larger than those in the category R500 000 and below.

Table 5.5 Value of contracts bid compared to value of awarded contracts in the last 3 years

Value of majority of contracts bid for most often in the past three years * Awarded a contract by any Gauteng government department in the last 3 years Cross tabulation					
			Awarded a contract by any Gauteng government department in the last 3 years		
			Yes	No	Total
Value of majority of contracts bid for most often in the past three years	Less than R500 000	Count	5	2	7
		Expected Count	4.4	2.6	7.0
		% Value	71.4%	28.6%	100.0%
	R500 000 - R1 000 000	Count	14	9	23
		Expected Count	14.6	8.4	23.0

Value of majority of contracts bid for most often in the past three years * Awarded a contract by any Gauteng government department in the last 3 years Cross tabulation					
		% within Value	60.9%	39.1%	100.0%
	More than R1 000 000	Count	14	8	22
		Expected Count	14.0	8.0	22.0
		% within Value	63.6%	36.4%	100.0%
Total		Count	33	19	52
		Expected Count	33.0	19.0	52.0
		% within Value	63.5%	36.5%	100.0%

To analyse the relationship between the value of contracts bid and the business success in winning the tender; the null and alternative hypotheses were formulated:

- H_{01}: There is no relationship between the value of tenders applied for and whether a business wins a tender or not.

- H_{11}: There is a relationship between the value of tenders applied for and whether a business wins a tender or not.

Table 5.6 illustrates the analysis which resulted in two cells with expected values less than five, thus the Chi squared value will be unreliable and therefore the Fischer's exact test was conducted. The Fischer's exact test had a value of 0.292 and a p-value of 1.000 which is greater than 0.05 and thus the null hypothesis cannot be rejected in favour of the alternate hypothesis. Therefore is no relationship between the value of tenders applied for and whether a business wins a tender or not

Table 5.6 Chi-Square Tests

Chi-Square Tests				
	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)
Pearson Chi-Square	.259[a]	2	.879	.928
Fisher's Exact Test	.292			1.000
N of Valid Cases	52			
a. Two cells (33.3%) have expected count less than five. The minimum expected count is 2.56.				

5.4.5 Bidding success rate

Respondents were required to indicate how many tenders they had won on the past three years. Out of the 52 respondents, the majority (36.5%) had never won a tender in the past three years, 20.8% had won one tender, 12.5% won two tenders, 8.3% won three tenders, 6.3% won 4 tenders and 12.5% won more than five tenders. And the 3.1% of respondents that won a tender did not indicate the number of tenders won and thus were excluded from the analysis.

Figure 5.9 Distribution of bidding success rate
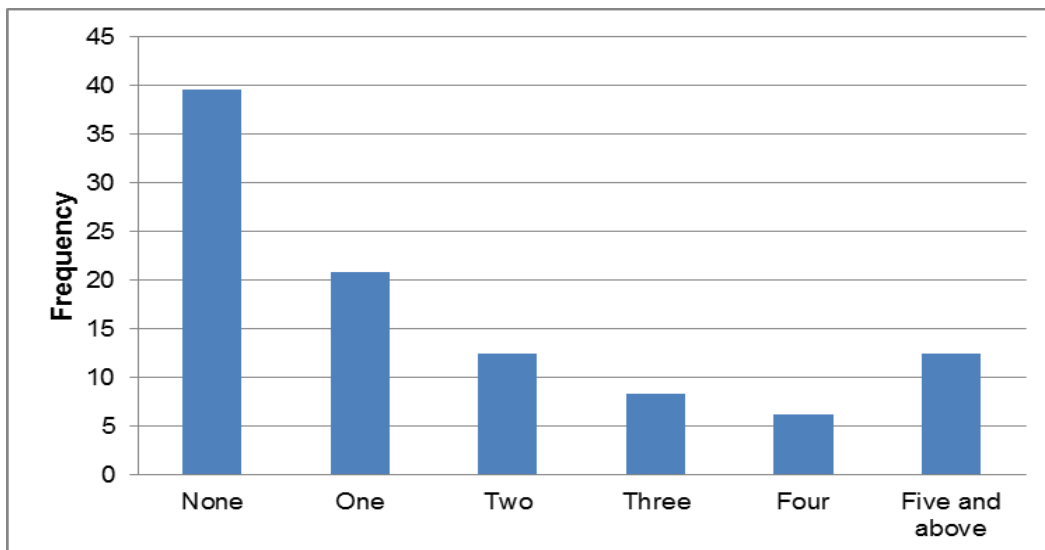
5.4.6 Value of highest tender awarded

Respondents had to indicate the highest value (by predetermined category) of a tender won after competing in government tenders. A total of 33 respondents have won government tenders in the past 3 years. Of the 33 respondents, two fifths (39.4%) won contracts valued between R500 000 and R1 million; 36.4% won tenders above R1 million and the 24.2% won contracts valued less than R500 000.

Figure 5.10 Distribution of highest value of tender awarded
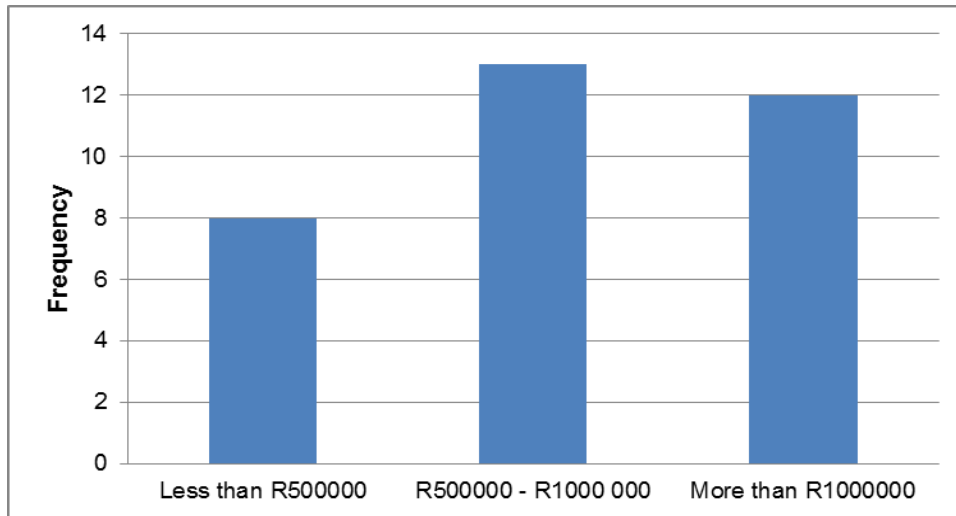
5.4.7 *Proportion of turnover accounted for by government contracts*

Based on those who won government tenders in the past three years, two respondents did not indicate the approximate proportion of their turnover that is accounted for by contracts won through participating in government tenders. This could have been because they did not want to disclose sensitive information. As indicated in chapter 4, one respondent raised a concern about disclosing sensitive information during the pilot study that was conducted. Of the 31 respondents who indicated the proportion of revenue generated by contracts, 38.7% of respondents indicated that government contracts accounted for 51% and above of their annual turnover; 35.5% indicated that government contracts accounted for 25% or less of their turnover, and 25.8% indicated that government tenders accounted for between 26%-50% of their total turnover.

The approximate proportion of turnover accounted for by contracts won through participating in government tenders ranged from 0% to 100% with a mean proportion of 44.5% as depicted in table 5.7

Figure 5.11 Government contracts as a proportion of annual turnover
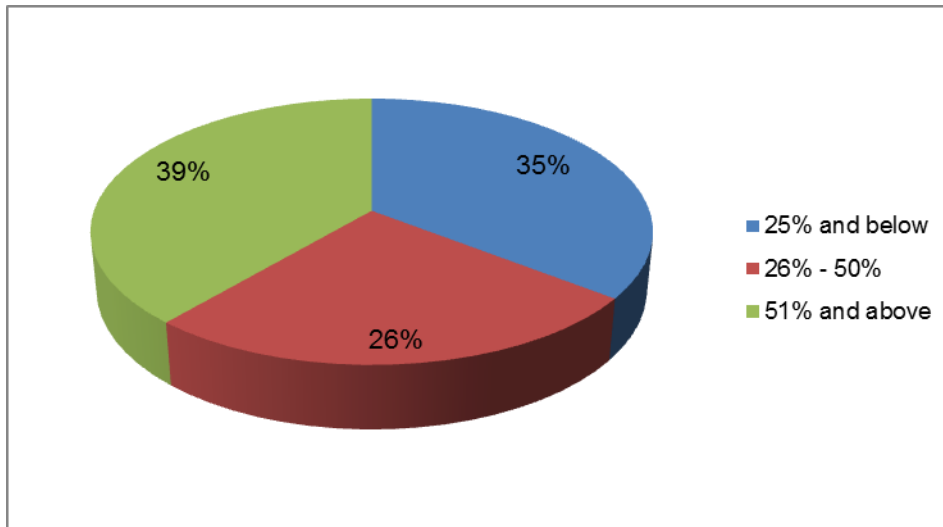
Table 5.7 Descriptive Statistic on proportion of annual turnover

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Approximate percentage/proportion of annual turnover that is accounted for by contracts won through participating in government tenders	31	0	100	44.45	31.271

5.5 The resources required in bidding for tenders

This section presents results on the perceived resources required to influence involvement in preferential procurement and the actual resources that contributed to respondent bidding for the most recent tender. A comparison of the perceived and actual resource by different sizes of enterprises is also presented.

In order to determine the importance of resources required by a company to be involved in preferential procurement, respondents had to evaluate the importance of each of ten resources in table 5.8 on a scale from 1 to 5.

Table 5.8 Resources required for a company to be involved in Preferential Procurement

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation

Business skills to identify government tender opportunities	51	2	5	4.20	1.077
Access to relevant information regarding the tender opportunity	51	1	5	4.63	.824
Knowledge of the tendering process	51	2	5	4.65	.658
Enough time to prepare a submission for a tender bid	51	2	5	4.76	.681
Ability to understand the requirements of the tender bid	51	3	5	4.67	.554
Ability to understand the language used in the tender document	51	2	5	4.45	.832
Ability to provide the required documents, such as a tax clearance	51	3	5	4.82	.434
Ability to provide sufficient quantity of products/service required on the tender document	51	2	5	4.59	.753
Ability to provide the right quality of products/ services required on the tender document	51	2	5	4.51	.834
Capability to meet the delivery requirements of the tender bid	51	2	5	4.55	.879

Overall, respondents rate all resources important, as the mean depicted on table 5.8 is well above four. Ability to provide the required documents is the most perceived significant resource and business skills to identify government tender opportunities is perceived to be the least significant resource required to influence involvement in preferential procurement.

5.5.1 Cronbach's Alpha coefficient

Cronbach's alpha coefficient was used to assess the internal consistency (reliability) of the items evaluated on the Likert-type scale. Internal consistency describes the extent to which all items in a test measure the same concept or constructs (Pallant, 2010).. The closer Cronbach's alpha coefficient is to 1, the greater the internal consistency of

the items in the scale (Gliem & Gliem, 2003). Cronbach's Alpha coefficient was calculated for each of the three constructs shown in the table 5.9.

Table 5.9 Internal consistency on perceived resources needed to bid

Construct	Number of Items	Cronbach's Alpha
Information resources	Business skills to identify government tender opportunities	0.651
	Access to relevant information regarding the tender opportunity	
	Knowledge of the tendering process	
Administration resources	Ability to understand the requirements of the tender bid	0.682
	Ability to understand the language used in the tender document	
	Ability to provide the required documents, such as a tax clearance certificate	
Supply capacity resources	Ability to provide sufficient quantity of products/service required on the tender document	0.812
	Ability to provide the right quality of products/ services required on the tender document	
	Capability to meet the delivery requirements of the tender bid	

The item "Enough time to prepare a submission for a tender bid" was removed from the administration resources construct because its removal improved the Cronbach's alpha coefficient from 0.58 to 0.682, raising it to an acceptable level of internal consistency. Subsequently, all three constructs had Cronbach's Alpha Coefficient greater than 0.65, indicating an acceptable level of internal consistency. A construct with a Cronbach's Alpha Coefficient greater than 0.5 implies that the questions measuring that construct can be grouped together to construct a summated scale for the construct (Gliem & Gliem, 2003). Value of > 0.5 was considered to represent a sufficient level of reliability in this study.

5.5.2 Factor analysis

In addition to computing the Cronbach's Alpha coefficient of reliability, factor analysis was carried out to investigate the dimensionality of the scale for the various constructs. Each construct retained one factor after the principal component analysis was applied with Varimax rotation. The variance explained by each of the three constructs was at

least 60%. This means that the retained factor for information resources explains 60.7% of variation in information resources, for administration resources the retained factor explains 62.9% of variation, and for supply capacity resources the retained factor explains 72.83% of the variation. The results appear in table 5:10 below.

Table 5.10 Factor analysis on perceived resources needed to bid

	Number of Factors	Final Communality Estimates				Variance Explained by the Construct
Construct		Item 1	Item 2	Item 3	Item 4	
Information resources	1	0.602	0.580	0.640		0.607
Administration resources	1	0.735	0.737	0.417	Removed	0.629
Supply capacity resources	1	0.632	0.823	0.728		0.728

5.5.3 Summated scale

Further analysis was carried out using the summated scales. A summated scale was calculated for each construct by finding the average of the items in each construct. The average rating for each of the three constructs was calculated and the means are indicated.

As illustrated in Table 5.11 all three constructs had high mean values. The respondents perceived all three types of resources as being important in tendering. On a scale of 1 to 5 where 1 is not important at all and 5 very important, the administration resources (4.65) was regarded as the most important followed by supply capacity (4.55) and finally information resources (4.49).

Table 5.11 Summary of descriptive statistics per scale on perceived resources needed to bid

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Administration resources	51	3.333	5.000	4.65	0.492
Supply capacity resources	51	2.333	5.000	4.55	0.702
Information resources	51	1.667	5.000	4.49	0.668

5.5.4 Comparison of Perceived Resources by different sizes of enterprises

One-way analysis of variance (ANOVA) was conducted to assess whether there was a difference in the importance attached to perceived resources and the number of employees of a business. The goal for conducting analysis of variance is to test for differences among the means of the different levels of a factor and to quantify these differences (Pallant, 2010; Saunders et al., 2009). If there are two treatment levels, this analysis is equivalent to a t-test comparing two group means. In this research report the factor is the number of employees and the levels are the different categories of number of employees.

The null and alternative hypotheses are:

- H_{02}: All sizes of businesses have the same mean rating for the importance of the resources needed to participate in preferential procurement.

- H_{12}: At least one mean rating is different.

Table 5.12 Descriptive statistics on perceive resources needed to bid

Descriptive statistics		N	Mean	Std. Deviation
Information resources	0-5 (micro enterprise)	23	4.39	0.851
	6-20 (very small enterprise)	20	4.65	0.366
	21-50 (small enterprise)	3	4.44	0.509
	51-200 (medium enterprise)	5	4.33	0.782
	Total	51	4.49	0.668
Administration resources	0-5 (micro enterprise)	23	4.57	0.507
	6-20 (very small enterprise)	20	4.82	0.366
	21-50 (small enterprise)	3	4.67	0.577
	51-200 (medium enterprise)	5	4.33	0.707
	Total	51	4.65	0.492
Supply capacity resources	0-5 (micro enterprise)	23	4.38	0.825
	6-20 (very small enterprise)	20	4.70	0.561
	21-50 (small enterprise)	3	4.89	0.192
	51-200 (medium enterprise)	5	4.53	0.730
	Total	51	4.55	0.702

The p-values of the F tests in the ANOVA table are all greater than 0.05 which means the null hypothesis cannot be rejected in favour of the alternate hypothesis. It can be concluded that there is no sufficient evidence at the 5% significance level to suggest

that different sizes have different resource needs, thus it cannot be concluded that businesses of different sizes have different resource needs.

Table 5.13 ANOVA test on perceived resources needed to bid

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
Information resources	Between Groups	0.865	3	0.288	0.632	0.598
	Within Groups	21.436	47	0.456		
	Total	22.301	50			
Administration resources	Between Groups	1.223	3	0.408	1.762	0.167
	Within Groups	10.869	47	0.231		
	Total	12.092	50			
Supply capacity resources	Between Groups	1.486	3	0.495	1.006	0.399
	Within Groups	23.142	47	0.492		
	Total	24.627	50			

5.6 Existing resources that contributed to respondents bidding for the most recent tender

Respondents were asked to rate the importance of each resource that contributed to the company bidding for a tender on preselected resources (see table 5.14 below).

Table 5.14 Existing Resources that contributed to Bidding

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The owner/ manager's business skills to identify government tender opportunities.	51	1	5	4.22	1.101
The information about the government tender was easily accessible.	51	1	5	4.18	.932
The information required in the tender application forms was easily understood.	51	2	5	4.14	.980
The information the company was required to submit in order to qualify for the contract was easy to collect (example a tax clearance certificate).	51	2	5	4.59	.726
The company had sufficient knowledge of the tendering process.	51	1	5	4.18	.994
The company had sufficient time to prepare	51	2	5	4.33	.931

a tender bid for submission.					
The company understood the requirements on the tender documentation.	51	2	5	4.49	.703
The company had all the required quality standards in place.	51	2	5	4.49	.809
The company could deliver the quantity of products specified.	51	2	5	4.53	.758
The company could offer the standard of services specified.	51	2	5	4.49	.784

Respondents rated all resources important, as the mean depicted on table 5.14 is well above four. However the information the company was required to submit in order to qualify for the contract was easy to collect is the most perceived significant resource that the company has that contributed to respondent bidding. The information require d in the tender form was easily understood was rated the least existing resource the respondent has that contributed to respondent bidding for the contract.

5.6.1 Cronbach's Alpha Coefficient

The internal consistency of these resources was explored and Cronbach's alpha coefficient was used to assess the internal consistency (reliability) of items on a Likert-type scale. The Cronbach's Alpha coefficient was calculated for each of the three constructs. All three constructs had Cronbach's Alpha coefficients greater than 0.61 (table 5.15), indicating an acceptable level of internal consistency. A construct with a Cronbach's Alpha coefficient greater than 0.5 implies that the questions measuring that construct can be grouped together to construct a summated scale for the construct.

Table 5.15 Internal consistency of existing resources that contributed to bidding

Construct	Items	Cronbach's Alpha
Information resources	The owner/ manager's business skills to identify government tender opportunities.	0.596
	The information about the government tender was easily accessible.	
	The company had sufficient time to prepare a tender bid for submission.	
Administration resources	The information required in the tender application forms was easily understood.	0.652
	The information the company was required to submit in	

Construct	Items	Cronbach's Alpha
	order to qualify for the contract was easy to collect (example a tax clearance certificate).	
	The company had sufficient knowledge of the tendering process.	
	The company understood the requirements on the tender documentation.	
Supply capacity resources	The company had all the required quality standards in place.	0.856
	The company could deliver the quantity of products specified.	
	The company could offer the standard of services specified.	

5.6.2 Factor analysis

In addition to computing the Cronbach's Alpha coefficient of reliability, factor analysis was carried out to investigate the dimensionality of the scale for the various constructs. The results are depicted in table 5.16 below.

Table 5.16 Factor analysis on existing resources that contributed to bidding

Construct	Number of Factors	Final Communality Estimates				Variance Explained by the Construct
		Item 1	Item 2	Item 3	Item 4	
Information resources	1	0.612	0.331	0.734		0.559
Administration resources	1	0.745	0.884	0.712	0.726	0.767
Supply capacity resources	1	0.827	0.735	0.767		0.776

Each construct retained one factor after the principal component analysis was applied with Varimax rotation. The variance explained by each of the three constructs was at least 55.9%. This means that the retained factor for information resources explains 55.9% of variation in information resources, for administration resources the retained factor explains 76.7% of the variation, and supply capacity resources explain 77.6% of the variation.

5.6.3 Summated scale

Further analysis was carried out using the summated scales. A summated scale was calculated for each construct by finding the average of the items in each construct. The average rating for each of the three constructs was calculated and the means are indicated in the table 5.17.

Table 5.17 Descriptive statistics for existing resources that contributed to bidding

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Supply capacity resources	51	2.667	5.000	4.50	0.691
Administration resources	51	3.000	5.000	4.39	0.590
Information Resources	51	2.667	5.000	4.19	0.752

The respondents indicated that existing supply capacity resources (4.50) were the most important resources for the most recent tender submitted by their company followed by administration resources (4.39) and then information resources (4.19).

5.6.4 Comparison of Perceived Resources by different sizes of Enterprises

Morand (2003) found that SMMEs are not able to bid for large contracts as they do not have adequate supply capacity resources to service contracts as a consequence of the size of the company. Thus supply capacity is perceived to be the most important resource that influenced the company to bidding. A one-way analysis of variance (ANOVA) was conducted to further assess whether there was a difference in the existing resources being viewed as the motivation for bidding for a tender by the different size of respondents in relation to the number of employees employed.

H_{03}: All sizes of enterprises had the same view in terms of the resource being a motivation for bidding for a tender.

H_{13}: At least one category of enterprise had a different view.

Table 5.18 Descriptive statistics for existing resources that contributed to bidding by enterprise size

Descriptive statistics		N	Mean	Std. Deviation
Information resources	0-5 (micro enterprise)	23	4.07	0.724
	6-20 (very small enterprise)	20	4.30	0.851
	21-50 (small enterprise)	3	4.44	0.385
	51-200 (medium enterprise)	5	4.13	0.691
	Total	51	4.19	0.752
Administration resources	0-5 (micro enterprise)	23	4.38	0.516
	6-20 (very small enterprise)	20	4.53	0.653
	21-50 (small enterprise)	3	4.00	0.750
	51-200 (medium enterprise)	5	4.10	0.518
	Total	51	4.39	0.590
Supply capacity resources	0-5 (micro enterprise)	23	4.26	0.797
	6-20 (very small enterprise)	20	4.87	0.313
	21-50 (small enterprise)	3	4.11	0.839
	51-200 (medium enterprise)	5	4.40	0.723
	Total	51	4.50	0.691

Table 5.19 ANOVA test for existing resources that contributed to bidding

ANOVA		Sum of Squares	Df	Mean Square	F	Sig.
Information resources	Between Groups	0.770	3	0.257	0.439	0.726
	Within Groups	27.509	47	0.585		
	Total	28.279	50			
Administration resources	Between Groups	1.243	3	0.414	1.204	0.319
	Within Groups	16.171	47	0.344		
	Total	17.414	50			
Supply capacity	Between Groups	4.507	3	1.502	3.649	0.019

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
resources	Within Groups	19.353	47	0.412		
	Total	23.861	50			

The p-values of the F tests in the ANOVA table for supply capacity resources was less than 0.05 (the 5% significance level) implying that the null hypothesis is rejected for the supply capacity resource. It can thus be concluded that there is a significant difference in supply capacity being the motivation for bidding for a tender for different size businesses as measured by number of employees. In relation to information and administration resources there were no significant differences since the p-values of the F-test were greater than 0.05.

5.6.5 Comparison of perceived resources by different sizes of enterprises

To assess which particular categories of enterprises had different mean ratings for the supply capacity resource, post hoc test was conducted. The results are revealed in the table 5.20 below.

Table 5.20 Multiple comparisons of perceived resources by different sizes of enterprises

Multiple Comparisons				
LSD				
Dependent Variable	(I) Number Of Employees	(J) Number Of Employees	Mean Difference (I-J)	P-Value
Supply capacity resources	0-5 (micro enterprise)	6-20 (very small enterprise)	-0.606	0.003
		21-50 (small enterprise)	0.150	0.706
		51-200 (medium enterprise)	-0.139	0.662
	6-20 (very small enterprise)	0-5 (micro enterprise)	0.606	0.003
		21-50 (small enterprise)	0.756	0.063
		51-200 (medium enterprise)	0.467	0.152
	21-50 (small enterprise)	0-5 (micro enterprise)	-0.150	0.706
		6-20 (very small enterprise)	-0.756	0.063

Multiple Comparisons				
LSD				
		51-200 (medium enterprise)	-0.289	0.541
	51-200 (medium enterprise)	0-5 (micro enterprise)	0.139	0.662
		6-20 (very small enterprise)	-0.467	0.152
		21-50 (small enterprise)	0.289	0.541

The p-values (0.003) for 0 to 5 employees (micro enterprise) against 6 to 20 employees (very small enterprise) is less than 0.05 implying that there is a difference in the importance that is attached to supply capacity resources by these two groups. The group of 6 to 20 employees (very small enterprise) view supply capacity resources as more important for them to bid for a tender as compared to the micro enterprises.

There are no significant differences among the rest of the categories of enterprises since the p-values are greater than 0.05.

5.7 Resources that contributed to the company winning the tender

Respondents were asked to rate on a Likert-type scale each resource (see table 5.21) that contributed to the company winning a tender for which they bid.

Table 5.21 Resources that contributed to the company winning the tender

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The owner/ manager's business skills to identify government tender opportunities.	44	1	5	3.89	1.224
The information about the government tender was easily accessible.	44	1	5	3.89	1.039
The information required in the tender application forms was easily understood.	44	1	5	3.89	1.017
The information the company was required to submit in order to qualify for the contract was easy to collect	44	1	5	4.61	.895

(example a tax clearance).					
The company had sufficient knowledge of the tendering process.	44	1	5	4.18	1.105
The company had sufficient time to prepare a tender bid for submission.	44	1	5	4.27	1.065
The company understood the requirements on the tender documentation.	43	1	5	4.37	.926
The company had all the required quality standards in place.	44	1	5	4.25	1.102
The company could deliver the quantity of products specified.	44	1	5	4.32	1.095
The company could offer the standard of services specified.	44	1	5	4.36	1.036

Respondent rated majority of resources important, as the mean depicted on table 5.21 is between 3 and 4. The information the company was required to submit in order to qualify for the contract was easy to collect (example a tax clearance) is the perceived to be the most significant resource that contributed to the company winning the tender. However, the owner/ manager's business skills to identify government tender opportunities, the information about the government tender was easily accessible and the information required in the tender application forms was easily understood were rated as moderate in contributing to the company winning the tender.

5.7.1 Cronbach's Alpha Coefficient

The Cronbach's alpha coefficient was used to assess the internal consistency (reliability) of constructs. The Cronbach's Alpha coefficient was calculated for each of the three constructs and all three constructs had Cronbach's Alpha coefficients greater than 0.688, indicating an acceptable level of internal consistency (see table 5.22). A construct with a Cronbach's Alpha coefficient greater than 0.5 implies that the questions measuring that construct can be grouped together to construct a summated scale for the construct. Results for each of the 3 constructs are shown in the table 5.22.

Table 5.22 Internal consistency of resources that contributed to the company winning the tender

Construct	Items	Cronbach's

		Alpha
Information resources	The owner/ manager's business skills to identify government tender opportunities.	0.688
	The information about the government tender was easily accessible.	
	The company had sufficient time to prepare a tender bid for submission.	
Administration resources	The information required in the tender application forms was easily understood.	0.847
	The information the company was required to submit in order to qualify for the contract was easy to collect (example a tax clearance).	
	The company had sufficient knowledge of the tendering process.	
	The company understood the requirements on the tender documentation.	
Supply capacity resources	The company had all the required quality standards in place.	0.947
	The company could deliver the quantity of products specified.	
	The company could offer the standard of services specified.	

5.7.2 Factor analysis

In addition to computing the Cronbach's Alpha coefficient of reliability, factor analysis was carried out to investigate the dimensionality of the scale for the various constructs. Each construct retained one factor after the principal component analysis was applied with Varimax rotation. The variance explained by each of the three constructs was at least 61.7%. This means that the retained factor for information resources explains 61.7% of variation in information resources, for administration resources the retained factor explains 68.9% of variation, and supply capacity resources explain 90.4%.The results are shown in table 5.23.

Table 5.23 Factor analysis of Resources that contributed to the company winning the tender

	Number of Factors	Final Communality Estimates				Variance Explained by the Construct
Construct		Item 1	Item 2	Item 3	Item 4	
Information resources	1	0.698	0.465	0.688		0.617
Administration resources	1	0.664	0.687	0.744	0.660	0.689
Supply Capacity resources	1	0.917	0.920	0.876		0.904

5.7.3 Summated scale

Further analysis was carried out using the summated scales. A summated scale was calculated for each construct by finding the average of the items in each construct. The average rating for each of the three constructs calculated and the means are indicated in the Table 5.24.

Table 5.24 Descriptive statistics of resources that contributed to the company winning the tender

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Administration resources	31	3.000	5.000	4.34	0.589
Supply capacity resources	31	2.000	5.000	4.29	0.938
Information resources	31	2.333	5.000	3.92	0.724

The respondents who won tenders in the past three years were of the opinion that administration resources (4.34) contributed the most in the businesses winning the tenders, followed by supply capacity (4.29) and then information resources (3.92).

5.8 Outcome of participation in preferential procurement

5.8.1 Expected action after the award of a tender

Respondents were asked what would be the most important action their company would take should they win a tender. Two respondents did not answer the question and of the 50 that responded to the question, the majority (60%) would obtain working capital, followed by 20% who would employ staff, 10% would do none of the listed actions, 8% would buy assets and 2% specified that their action would depend on the contract. The responses are summarised in the Table 5.25.

Table 5.25 Expected action after the award of a tender

Most important action the company will take should they win the tender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Buy assets	4	7.7	8.0	8.0
	Employ staff	10	19.2	20.0	28.0
	Obtain working capital	30	57.7	60.0	88.0

Most important action the company will take should they win the tender					
		Frequency	Percent	Valid Percent	Cumulative Percent
	None	5	9.6	10.0	98.0
	Depends on the project won	1	1.9	2.0	100.0
	Total	50	96.2	100.0	
Missing	System	2	3.8		
Total		52	100.0		

5.8.2 Actual action after winning the tender

Of the 33 respondents who won tenders in the past three years, 55% obtained working capital after winning the tender, 42% employed more staff, and 18% bought assets and 3% specified that they did nothing because they were of the view that they had enough resources to deliver on the tender won. Multiple responses were allowed. Table 5.26 illustrates the results.

Table 5.26 Actual action after winning a tender

	Frequency	Percentage
Obtained working capital	18	55%
Increased employees	14	42%
Bought assets	6	18%
None(specified that they have enough resources)	1	3%

Of the 14 enterprises that employed more staff after winning the latest tender, 13 of the 14 respondents indicated the number of employees they had before winning a tender and the additional employees they employed after winning the tender.

Table 5.27 Number of employees before and after winning a tender

Respondent	Employees Before Winning Tender	Employees After Winning Tender
1	45	45
2	3	10
3	1	3
4	0	3
5	15	35
6	0	12
7	4	12
8	3	9
9	35	45

10	4	12
11	3	7
12	2	8
13	15	25

5.8.3 The split of additional employees after winning the tender

Of the 13 enterprises that indicated the type of additional employees employed after winning the tenders, 53.8% indicated that they hired part-time employees and the remaining 46.2% indicated that they hired fulltime staff after winning a tender (see figure 5.12 illustrated below and Table 8 in Appendix C).

Figure 5.12 Percentage of split of additional employees
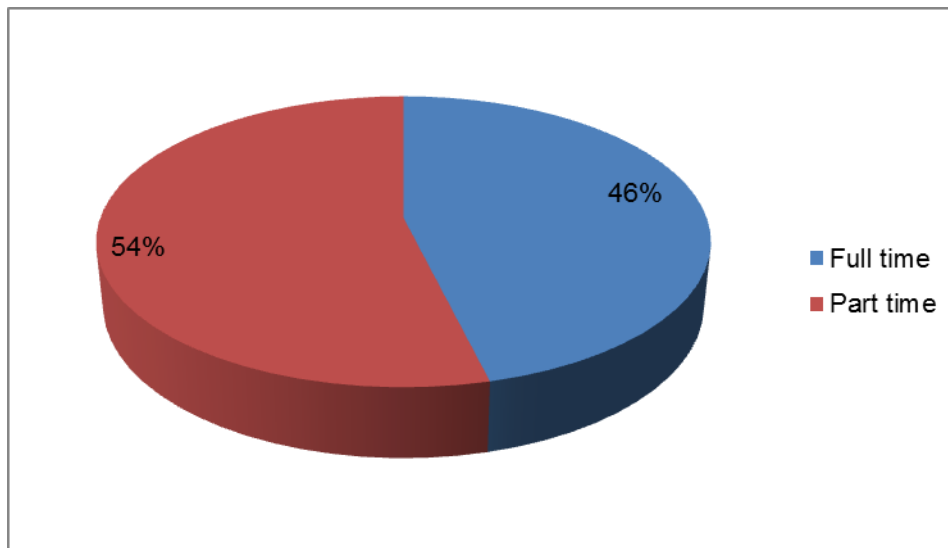
5.9   Hypotheses testing

To investigate perceptions regarding different resources that influence involvement of SMME in preferential procurement tenders, a correlation analysis was conducted against each of the three resources namely: information resources, administration resources, and supply capacity resources. The null hypothesis stating that there is no relationship between the perception on each of the resources and the involvement of SMME in preferential procurement tenders was formulated against an alternative

hypothesis that stipulates that there is a relationship. The results are shown in the tables below.

5.9.1 Relationship between resource availability and involvement in preferential procurement

To analyses the relationship between the resource availability and involvement in preferential procurement, the following hypotheses were formulated:

For the first hypothesis the relationship that was explored was between the independent variable (perceived resource) and the dependent variable (involvement in preferential procurement). The hypothesis consisted of three sections (*1a, 1b and 1c*). The first section of the hypothesis testing revolved around the information resource, the second section comprised of administrative resource and the third section comprised of supply capacity resource.

Hypothesis 1a: SMMEs perceive information resource to be a significant resource that influences involvement in preferential procurement tenders opportunity.

Hypothesis 1b: SMMEs perceive administrative resource to be a significant resource that influences involvement in preferential procurement tenders opportunity.

Hypothesis 1c: SMMEs perceive supply capacity resource to be a significant resource that influences involvement in preferential procurement tenders opportunity.

5.9.1.1 Findings:

The findings that became applicable after the factor analysis was completed were that the three resources, namely information, administrative resource and supply capacity resource are perceived to be significant in tendering. However the degree of significance was different for each resource.

After running the correlation analysis on these resources an interesting result was evidenced. Below is the table that represents the correlation analysis findings.

Table 5.28 Correlation analysis

Correlations

		Tenders submitted in Gauteng in the past 3 years
Information resources	Pearson Correlation	-0.172
	Sig. (2-tailed)	0.227
	N	51

When observing table 5.28 the evidence reveals that there is no support for the argument that states that information resource influences involvement of SMMEs in preferential procurement. This is because the significance level of information resource is greater than 5% (p>0.05) which indicates no significance from the hypothesis test. Therefore we reject the null hypothesis and conclude that information resource is not a significant resource that influences involvement in preferential procurement tenders opportunities. Further analysis on other resources was conducted and as seen in table 5.29, the data indicates a different outcome to what was experienced above.

Table 5.29 Correlation analysis

Correlations		
		Tenders submitted in Gauteng in the past 3 years
Administration resources	Pearson Correlation	-0.327[*]
	Sig. (2-tailed)	0.019
	N	51
Supply Capacity resources	Pearson Correlation	-0.342[*]
	Sig. (2-tailed)	0.014
	N	51

As witnessed above in table 5.29 there is a significant level less than 0.05 for administrative resource and supply capacity resource which indicates that both factors are significant. Thus, there is evidence from the data to support hypothesis 1b and hypothesis 1c. In other words involvement in preferential procurement is positively influence by the administrative resource and supply capacity resource that a SMME possess.

5.9.2 Relationship between resource availability and winning a tender in preferential procurement

To analyses the relationship between the resource availability and participation in preferential procurement, the following hypotheses were formulated:

The second hypothesis was formulated with the objective to determine the relationship between the resource availability and participation (winning the tender) in preferential procurement. The hypothesis consisted of three sections (2*a, 2b and 2c*). The first section of the hypothesis testing revolved around the information resource, the second section comprised of administrative resource and the third section comprised of supply capacity resource.

Hypothesis 2a: *SMMEs perceive information resource to be a significant resource that influences participation in preferential procurement.*

Hypothesis 2b: *SMMEs perceive administrative resource to be a significant resource that influences participation in preferential procurement.*

Hypothesis 2c: *SMMEs perceive supply capacity resource to be a significant resource that influences participation in preferential procurement.*

To evaluate this hypothesis; independent samples t-tests were conducted to assess whether there is a difference in the mean rating on the three resources namely; information resources, administration resources, and supply capacity resources of the enterprises that won tenders and those that did not win tenders. The below hypotheses were formulated:

H0: There are no differences in the mean ratings of those enterprises that won tenders and those enterprises who did not win tenders.

H1: There are differences in the means of resources of enterprises that won tenders and those that did not win tenders. The results are shown in the tables below.

Table 5.30 Group statistic T-test

Group Statistics

	Awarded a contract by any Gauteng government department in the last 3 years	N	Mean	Std. Deviation	t	P-Value
Information resources	Yes	32	4.448	0.526	-0.583	0.563
	No	19	4.561	0.868		
Administration resources	Yes	32	4.500	0.549	-3.597	0.001
	No	19	4.895	0.224		
Supply capacity resources	Yes	32	4.406	0.765	-2.139	0.038
	No	19	4.789	0.512		

5.9.2.1 Findings

While observing the significance levels of information resource as a resource that influences participation, it can be deduced that there is no influence in participation due to the significance levels being 0.563 (p>.05). Thus indicating that information resource has little influence in participating in preferential procurement. and therefore the null hypothesis is accepted. This does not satisfy hypothesis 2a and therefore this hypothesis is rejected

However, upon further investigation of other resources in analysing the data in table 5.36 the verification that administrative resource and supply capacity resource are significant in influencing participation in preferential procurement can be seen with the significance level being below .05 (p<0.05). Thus it can be seen that administrative and supply capacity resources play a vital role as a direct contribution in the relationship between resources and participation in preferential procurement. Therefore the null is rejected and the alternative hypothesis is accepted. This satisfies hypothesis 2b and 2c and therefore these two hypotheses are accepted.

5.9.3 Relationship between participation in preferential procurement and employment generation

To analyses the relationship between participation in preferential procurement and employment generation as an outcome, the following hypotheses were formulated:

Hypothesis 3: SMMEs that participate in preferential procurement are more likely to increase employment.

A paired sample t-test was conducted to assess whether the increase in staff after participating in preferential procurement was significant. The numbers of employees before winning the tender and after winning the tender was compared. The null and alternative hypotheses were formulated and are as follows:

H_{04}: There was no difference in the mean number of employees for the period before winning the tender and the period after winning the tender.

H_{04}: The winning of the tender resulted in a significant increase in the number of employees.

5.9.4 Findings:

The 13 businesses that responded had an average number of employees of 10 before winning the tender and the average rose to 18 employees after winning the tender as depicted in table 5.31 below.

Table 5.31:

Table 5.31 Difference in number of employees prior to and after award of a tender

Paired Samples Statistics		Mean	N	Std. Deviation
Pair 1	Number of Employees after winning tender	17.38	13	15.04
	Number of Employees before winning tender	10.00	13	14.33

The t-test for the difference between the two means resulted in a t-value of 5.213 and a p-value of 0.000 as depicted in table 5.42 below. A p-value of 0.0000 which is less than 0.01 (a 1% significance level) implies that the null hypothesis is rejected in favour of the alternative hypothesis. Thus, the winning of a tender resulted in a significant increase in the number of employees. Therefore we reject the null hypothesis and conclude that winning of the tender resulted in a significant increase in the number of employees. This satisfies hypothesis 3 and therefore this hypothesis is accepted.

Table 5.32 Paired samples test of number of employees before and after winning a tender

Paired Samples Test

		Paired Differences		t	Df	P-Value
		Mean	Std. Deviation			
Pair 1	Number of Employees After winning tender - Number of Employees before winning tender	7.385	5.108	5.213	12	.000

5.9.5 Summary of hypotheses tests

Table 5.33 Summary of hypotheses tests

Hypothesis test	Outcome
Hypothesis 1a: SMMEs perceive information resource to be a significant resource that influences involvement in preferential procurement.	Reject
Hypothesis 1b: SMMEs perceive administrative resource to be a significant resource that influence involvement in preferential procurement	Accept
Hypothesis 1c: SMMEs perceive supply capacity resource to be a significant resource that influences involvement in preferential procurement	Accept
Hypothesis 2a: SMMEs perceive information resource to be a significant resource that influence participation in preferential procurement	Reject
Hypothesis 2b: SMMEs perceive administrative resource to be a significant resource that influence participation in preferential procurement	Accept
Hypothesis 2c: SMMEs perceive supply capacity resource to be a significant resource that influences participation in preferential procurement	Accept
Hypothesis 3:SMMEs that participate in preferential procurement are more likely to increase employment	Accept

5.10 Chapter conclusion

This chapter presented the quantitative results of the research in terms of descriptive results and the hypotheses formulated. The next chapter discusses insight in the descriptive results and the hypotheses formulated in relation to the literature reviewed.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

The following chapter aims to address the research objective of this research report. This was attained by discussing the results in light of the literature review and the hypotheses formulated. In summary, this chapter first discusses the demographics of the sample the data was gathered from; thereafter critically examines the key research findings in the context of the literature reviewed; interprets the results and discusses the difference between perceptions and actual resources of SMME and concludes by discussing the findings in the context of the sample.

6.1.1 The sample

The group that participated in the study satisfied the definition of SMMEs according to South Africa's National Small Business Act 102 of 1996, as amended by the National Small Business Act 29 of 2004; which stipulated that a small business is a separate and distinct business entity including co-operatives and non-governmental organisation (NGOs), managed by one owner or more which, including its branches or subsidiaries (Republic of South Africa Government, 2004).

The sample was made up of Small, Medium and Micro Enterprises that have tendered with any department in Gauteng. Although 100 questionnaires were distributed, 64 survey results were received from respondents but only 52 of the 64 was analysed; representing a response rate of 52 percent.

6.1.2 Owner/manager

The majority of respondents were found to be business owners, followed by owner/manager. This finding aligned to the findings of FinMark Trust (2010) and the Liebenberg *et al*, (2007) study that concluded that most small business conducted in

South Africa do not employ anyone other than the business owner and are therefore often controlled by the owner who also acts as a manager, thus the owner-manager attitude and behaviour shapes the characteristics of the small enterprise.

Findings by Ahmad, Halim, & Zainal (2010) show that the lack of separation between ownership and control in SMMEs suggests that business owners themselves are responsible for the direction and development of their firms. This argument is also found to be mimicked by this study to the extent that decisions on whether a company tenders or not are mostly made by owners. Thus this highlights the importance that Morrissey and Pittaway (2004a) placed on owner/manager attitude and procurement behaviour in influencing the operations and performance of SMMEs.

6.1.3 Number of years

Majority of respondents have been in business for more than three years and can therefore be classified as being in the growth phase in accordance to FinMark Trust (2010). According to Trust (2006) the established phase of businesses occurs once an enterprise exists for more than 5.5 years (FinMark Trust, 2006). The average trading years of respondents are 5.44 years, therefore on average these SMMEs are established firms. This finding is contradictory to the results in the GEM report of 2012 that indicate that only a minimum number of SMMEs in South Africa have been in existence for more than 3.5 years.

6.1.4 Number of employees

The majority of respondents who participated in the questionnaire for this research report were micro enterprises, which is aligned to the results from the Finscope small business survey which indicated that the majority (94%) of small businesses in South Africa employ less than five employees represented. Findings in this study also indicate that the majority of SMMEs are micro businesses.

6.1.5 Experience in Preferential Procurement

From the statement of the results outlined in Chapter 5, the following can be deduced: SMMEs from the sample population are aware of preferential procurement opportunities. The vast majority of them are owned by HDIs. The results do not only show a high level of awareness of preferential procurement but that most SMMEs are involved in preferential procurement; the majority of respondents have submitted more than nine tenders in the past three years and bid for contracts valued at more than R500 000. Not only have these SMMEs tendered for government contracts before but more than 60% of them have been awarded contracts in the past three years. Furthermore, for those who have won contracts before, preferential procurement contracts account for more than 51% of their overall turnover.

6.2 Addressing the Research Hypothesis

As discussed earlier from the factor analysis, three significant resources that influence involvement and participation were identified. The first was information resource in sourcing tender opportunities prior to tendering, the second is related to the administrative resource in preparing to bid and the third is supply capacity resource that is required in servicing the contract should the tender be granted.

This discussion starts with revisiting the literature review surrounding the resources required to influence involvement and participation of SMMEs in preferential procurement.

Hypothesis 1

Hypothesis 1a: *SMMEs perceive information resource to be a significant resource that influence involvement in preferential procurement tenders.*

Hypothesis 1b: *SMMEs perceive administrative resource to be a significant resource that influence involvement in preferential procurement tenders.*

Hypothesis 1c*: SMMEs perceive supply capacity resource to be a significant resource that influence involvement in preferential procurement tenders.*

6.2.1 Findings

6.2.1.1 Information resource

The study found that SMMEs perceive information resource to be the least resources that influence involvement in preferential procurement. This finding is contradictory to the findings of Fee, Erridge, and Hennigan (2002) who argued that SMMEs have difficulties in getting information on future contract opportunities and therefore inadequate access to relevant information is the largest barrier of SMME involvement in public procurement opportunities. The findings were contradictory in that SMMEs in this study have rated information resource as the least significant resource in preferential procurement.

It is also important to note that these SMMEs are already involved in preferential procurement opportunities; the majority of respondents have submitted an average of nine tenders in the past three years, therefore these results suggest that SMMEs have no difficulty in getting information on procurement opportunities and thus do not regard information resource as significant in influencing involvement which is in contradictory to findings of Clover and Darroch (2005) who concluded that business opportunity depends on the accessibility of information.

Furthermore, Fee, Erridge and Hennigan (2002) stated that government tenders are usually advertised in a wide range of media, such as newspapers; tender journals and tender bulletin websites, suggesting that information on tender opportunities is freely available and perhaps this could be reasons behind information resource being less significant as it already available

While Antonites and Truter (2010) stresses the importance of business skills of owner/manager in identifying tender opportunities; SMMEs invalidated this notion by having the opinion that business skills are a not very important in identifying tender opportunities.

6.2.1.2 Administrative resource

From the results it can be established that respondents perceived administrative resource to have the most significant impact on involvement in preferential procurement. The findings are aligned with Michaelis et al., (2003) that stated that SMMEs are adversely affected by burdensome requirements of the procurement process; hence they rate this resource most significant. Administrative resource is seen as rigorous and resource consuming (Karjalainen & Kemppainen, 2008). This is significant because without for a tax clearance for example, the tender proposal will not be looked into regardless of whether a company is capable to supply the required good and services. It is a condition in the tendering process that the taxes of the successful bidder must be in order; failure to submit a tax clearance certificate will result in the invalidation of the bid. Luiz (2011) agrees with this significance placed on administrative resource and concludes that the tediousness and complexity of the procurement process discourages SMMEs involvement in procurement. It is therefore not surprising that SMMEs place such significance in administrative resource.

Antonites and Truter (2010) stated that SMMEs struggle with basic administration and record keeping in supplying to local government, this holds true in this study. On average, nine tenders have been submitted by the respondents in the past three years and yet the administrative burden has not been lifted. Therefore sufficient knowledge has not been gained even after becoming involved a number of times in the tendering process. Antonites and Truter (2010) further stipulated a lack of business skills as the reason for struggling with basic administration. This study reaffirms this notion as findings indicate that respondents find that business skills are not important at all in influencing involvement in preferential procurement.

6.2.1.3 Supply capacity resource

Supply capacity resource was found to be the second most significant resource that respondents perceived to influence involvement in preferential procurement. This finding is aligned with the findings of Morand (2003) who argued that SMMEs do not have adequate supply capacity resource to service government contracts.

Smith and Hobbs (2001) argued terms of contract to be what reduces the number of tendering opportunities for SMMEs to take on. Arend and Wisner (2005) added to this by affirming that longer contracts requires an SMME to tie up resources acquired over the duration of a contract and consequently inhibit the SMMEs in participating in other procurement opportunities. This study reaffirms this notion on supply capacity as indicated by the high significance level placed by respondents.

Loader (2007) stated that procurement is also a mechanism for improving service delivery, for example the more procurement is undertaken; the more improved models are built to deliver better service. SMME perceive supply capacity as the second most important resource, this perception might have been influenced by the current importance placed on service delivery; which is high on the agenda of government at present. Majority(84%) of respondents tender for contracts above R500 000 which indicate the capability of respondents.

6.2.2 *Perception versus the actual resource required*

As noted in the results; SMMEs perceive the administrative resource to be most significant and yet supply capacity is the actual resource that influenced SMMEs involvement with regards to the most recent tender for which they bid.

To be more specific, respondents perceive business skills to be the least significant resource and have also indicated they have the least significant level of business skills as an existing resource, perhaps it could be that because they don't perceive business skills to be significant in influencing involvement they therefore do not see the need to have adequate business skills, which support what Antonites and Truter (2010) notion on the inadequacy of business skills of SMMEs.

It is important to note how the perceptions of SMMEs change once there has been actual engagement with the government. Before there was engagement, SMMEs perceived administrative resource as the most significant resource, after bidding (engagement with the government) their perception changes to supply capacity being the most significant resource in influencing the decision to be involved in preferential procurement. This provides insight in demonstrating that once more information is

known about the tender the SMME is better positioned to make decisions. This finding indicates the ability of the SMMEs to self-measure its capability.

Another reason that could explain the difference in perceived resource and actual resource could be that because now that the SMMEs has tendered, they have some knowledge on the tender process. For example SARS usually grants 12 copies of a tax clearance certificate; therefore once a company has been involved in bidding, it would be much easier to collate the documents required as they already have those documents in their records. Thus the process is no longer burdensome and hence the actual resource is now supply capacity and not the administrative resource as perceived prior to being involved. However the findings indicate that SMME perceived knowledge on the tendering process as more significant as compared to the significance level placed on the existing knowledge respondents has on the tendering process, which might indicate that the reason they do not have sufficient knowledge on the tendering process is due to the reason that they do not perceive the resource to be important.

This clearly supports the arguments discussed by Karjalainen and Kemppainen (2008) that it is not just the actual resource that influences the involvement of SMMEs in preferential procurement but also perceived resources. This also provides an interesting insight regarding how actual resources are influenced by perceived resource. Resources are also affected by the external environment and therefore the influences of resource are relative to the lifecycle of the SMME. Thus resources change in accordance to external factors.

6.2.3 Evaluating the Sample

When comparing this literature to the findings of this study, it is also important to contextualise the impact of the sample. For instance, the majority of the respondents have been in business for more than three years therefore they are classified as established businesses (Simrie *et al.*, 2011). Therefore, the majority of businesses have started to trade and compete with other enterprises in the market (Maas & Herrington, 2006), and have thus have created relationships in the market and have access to information. Only 17.3% of the respondents are start-up businesses. Therefore what

could have increased the usability of the findings would have been to ensure that there was more representation towards start-up enterprises. This may have impacted the data and therefore skewed the results.

The findings could have also resulted from the specialisation of the sample. With all respondents registered in the database of GSSC, therefore having some form of access to information about tender opportunities, their need to perceive resources as distinct could perhaps be limited.

The size of SMMEs is also an influencing factor: Findings in this study indicate that enterprise size also affects how SMMEs perceive supply capacity resource. Micro enterprises (these are enterprises with less than five employees) feel less strongly about the significance of supply capacity resource in preferential procurement.

Major Clark and Moutray (2004a) defined supply capacity as an ability to meet quantity, quality, and delivery requirements of a contract. It is very interesting that micro enterprises do not perceive this to be significant when compared to very small enterprises and yet they have much less capacity due to their size.

6.2.4 Interpretation of the findings of Hypothesis 1a, Hypothesis 1b and Hypothesis 1c

These results have raised a concern in terms of how SMMEs retrieve information on tender opportunities. This research report did not investigate perceptions in the context of open and closed tenders; it would have been interesting to know whether most SMMEs participate in open or closed tenders and this insight would assist in discussing the results on information resource in more detail.

According to Bolton (2006) corruption is one of the factors that negatively affect the implementation of the preferential procurement policy. The results raise a concern in how SMMEs retrieve information on tender opportunities. A possible explanation of SMMEs rating information resource as the least important resource could be that they might already have access to inside information provided by corrupt government officials; therefore do not rate it as important because they have access to it already.

As indicated in the result of the study and the literature review, most SMMEs have the owner also working as a manager. This illustrates that SMMEs might seldom have the spare capacity of people to collect tender documents, tax clearance certificates and to attend tender briefing sessions. It is therefore not surprising that a high level of significance is attached to the administrative resource. For instance, in cases where the SMME has other customers already, a decision will have to be taken on whether such customers should be compromised in terms of dedicating the capacity for just a possibility and not a guarantee of being awarded a government tender.

When an SMME decides to be involved in preferential procurement opportunity, a tender document that also includes terms of reference has to be completed as an indication of interest to be involved. The terms of reference stipulates the scope of goods and service required in terms of the quality, quantity of products and service required and the duration of the contract. Therefore upon going through the requirements or terms of reference, establishing the quality and the quantity of goods required, the manager or owner may decide that it is not feasible for the SMME to place a bid as it may be limited in terms of its supply capability. Hence supply capacity is rated as the second most significant resource that influences involvement in procurement.

6.2.5 Conclusion

While past literature (Antonites & Truter, 2010; Karjalainen & Kemppainen, 2008) has shown that SMMEs perceive information, administrative and supply capacity to be all significant in influencing involvement in preferential procurement. The findings supported this argument to some extent as all resources namely; information, administrative and supply capacity had a mean value of more than 4, therefore respondents perceived these resources as somehow important in tendering. However SMMEs attach a different level of significance to each resource and that determines the involvement in preferential procurement. The findings of this study support that administrative resource and supply resource are significant; however do not support the notion that information resource is significant in influencing involvement in preferential

procurement. Therefore the hypothesis on information resource perceived to be a significant resource that influences involvement in preferential procurement is rejected.

The data therefore offered something new regarding the dialogue of information as a resource required, while most literature placed the most significance on access to information resource to identify opportunities, empirical evidence suggests the contrary.

<u>Hypothesis 2</u>

In this section, hypothesis 2 is explored in detain in light of the literature reviewed and the results of the analysis in this study.

Hypothesis 2a: *SMMEs perceive information resource to be a significant resource that influences participation in preferential procurement tenders.*

Hypothesis 2b: *SMMEs perceive administrative resource to be a significant resource that influences participation in preferential procurement tenders.*

Hypothesis 2c: *SMMEs perceive supply capacity resource to be a significant resource that influences participation in preferential procurement tenders.*

6.2.6 Findings

Respondents perceive all resources namely; information, administrative and supply capacity to be significant in influencing participation in preferential procurement. The findings of this study support that administrative resource and supply resources are significant; however do not support the notion that information resource is significant in influencing participation in preferential procurement. Therefore the hypothesis on information resource perceived to be a significant resource that influences participation in preferential procurement is rejected

6.2.7 Interpreting the findings of Hypothesis 2a, Hypothesis 2b and Hypothesis 2c

6.2.7.1 Information resource

The fact that a majority of the respondents rated the information resource as the least significant but went ahead and submitted bids for tenders must not be under-estimated. There might be other ways these SMMEs obtain information on tender opportunities.

In some cases government seeks to secure very specialised services or might be under pressure to deliver urgently, therefore closed tenders are used. In closed tenders, only pre-qualified or empanelled bidders are allowed to participate. Closed tenders are not advertised in newspapers or other forms of media. GSSC will select prospective bidders for its closed tenders from its database based on the information that the SMME has provided when it registered on the database. This puts such SMMEs at an advantage as only a limited number of SMMEs know of and can therefore be involved in such a tender opportunity. This could serve as an explanation of why respondents place information as the least significant resources.

6.2.7.2 Administrative resource

SMMEs rate administration resource as the most important resource that influences participation in preferential procurement. This could be because once an SMME accepts a tender, it becomes binding. This means that an SMME that has won the tender is obligated to provide goods or services in the manner and price stipulated in the tender agreement. In other words, once the tender is accepted it becomes a binding business contract. This could be the reason that South Africa experiences service delivery issues. It might be because SMMEs only make a discovery after being granted the contract that they have overcommitted their supply capacity or that they misunderstood the requirements on the tender document hence administrative resource is seen as significant in influencing participation.

It is interesting that even after the SMME has tendered a number of times and has won the bid they still consider the administrative constraint burdensome. For the fact that

SMMEs now have better knowledge on the tendering process as they have tendered a number of times and now know what is expected of them, they still rate the administrative resource as the most significant resource that contributed to the SMME winning the tender. This specifies the extent of deficiencies that still exist in the procurement process as indicated by Antonites and Truter (2010).

6.2.7.3 Supply capacity

Supply capacity is rated the second most significant resource that influences participation in preferential procurement. Bolton (2006) stipulates a number of qualification criteria that the adjudicators look into such as the HDI status of the SMME. The majority of respondents adhere to the criteria of HDI as indicated in the findings in chapter 5. Antonites and Truter (2010) indicated that a tax clearance certificate is one of the criteria that contribute to successful bidding. Furthermore Walker and Preuss (2008) stated the supply capacity of the bidder as criteria that government scrutinized the supply capacity of the bidder to establish whether the bidder is capable of delivering the right quality, quantity at the required delivery time. This could be a plausible reason supply capacity is rated the second most important resource to influence participation in preferential procurement after the administrative resource.

Arend and Wisner (2005) highlighted the importance placed on the duration of a government contract. They further elaborated that SMMEs must tie resources to a government contract usually over a long period of time; meaning that SMMEs must disregard other opportunities that may exist in the market. Therefore, in cases where taking on government work may mean discarding all other work, SMMEs may opt for other smaller, shorter or medium term contracts. Therefore it is not surprising that respondents rate this resource as significant.

6.2.7.4 Evaluating the sample

The results could have been further understood by taking into consideration the nature of the market during which respondents won tenders. With the research report analysing SMMEs from a retrospective period of the past three years, which included the year 2009 when enterprises were still experiencing the financial crisis, the sample

could have perhaps been influenced by the environment. While 39.6% of respondents have never won a tender in the past three years, it could have been as a result of the financial crisis and therefore this may have impacted the data and therefore skewed the results.

Results have that there is a difference in the mean rating on the three resources namely; information resources, administration resources, and supply capacity resources of the enterprises that won tenders and those that did not win tenders. Thus SMMEs that were awarded a contract by any Gauteng government department in the last three years perceive both administration resources and supply capacity resources significantly lower than the SMMEs that did bid and were unsuccessful in the last three years.

However, SMMEs that have won a tender consider information resource significantly more important than SMMEs that have not won a tender. This is an interesting result in that it provides insight on how SMMEs perceive things differently after they have concluded business with the government.

6.2.7.5 Conclusion

The findings therefore did not support hypothesis 2a; that SMMEs perceive information resource to be a significant resource that influence participation in preferential procurement tenders. However, the findings supported hypothesis 2b and 2c, that SMMEs perceive administrative resource and supply capacity to be a significant resource that influences participation in preferential procurement.

6.2.8 Hypothesis 3

This section comprehensively discusses hypothesis 3 with reference to previous literature and results attained from the study.

Hypothesis 3: *SMMEs that participate in preferential procurement are more likely to increase employment.*

6.2.8.1 Findings

Trust (2006) and Fortuin (2004) cited financial constraint (cashflow) as one of the barriers that discourage growth of SMMEs, therefore it comes as no surprise that the majority of respondents selected "to obtain capital" as the most common action to do if they were to win the tender. This further emphasises the importance SMMEs place on cashflow to support their growth. It is interesting to note that employing more staff is the second most significant action, should the SMME win a tender. Kesper (2001) noted that SMMEs choose not to increase their employees in an effort to reduce labour costs, thus implying labour regulation as a critical barrier to employment generation; SBP business environment specialist (2011) reaffirms this notion by stating that SMMEs choose to make the existing staff more productive relative to employing new people in an effort to avoid labour costs. This indicates that SMME are more open to increasing employment should they have sufficient cashflow to cover the labour costs; hence they listed "obtain working capital" as the most significant action followed by employment of staff.

Mkhize (2004) argued that by leveraging on procurement expenditure of the government, SMMEs will be in a stronger position to succeed and compete in the marketplace, thus generate employment. Bates (2009) argued that procurement spending translates into increased employment. Following on from this Myers (2006) agreed by arguing that elimination of a preferential program will limit employment opportunities along with procurement opportunities, thereby suggesting an existence of a correlated relationship. Findings in this study are in support of the previous research. The winning of a tender resulted in a significant increase in the number of employees. However, the majority of the additional staff employed was on a part time basis which supports the argument raised by Robbins, Pantuosco, Parker, & Fuller (2000) that SMMEs utilizes secondary or less attractive resources in the labour market such as part time employees.

The results of the study emphasise that the majority of SMMEs perceive obtaining working capital to be significant. However, once the respondents have won the tender, the actual outcome of obtaining working capital decreases and the importance of

employing staff increases .This indicates a sharp contrast between perception and reality. It supports the argument raised earlier that once SMMEs have concluded business with government; they tend to attach different levels of significance to each commodity as opposed to before they do business with government. Stated differently, their perceptions regarding the resources required changes.

6.2.8.2 Evaluating the Sample

The type of economic sector that the SMMEs operate in is also important in determining whether the enterprise will generate employment as a result of participation in preferential procurement. The study does not discuss in detail the sectors in which the 33 respondents that have been awarded contracts operate in. A possible limitation from this sample was that it has been possible that respondents that generated employment as a result of participating in preferential procurement operate in sectors that are labour intensive. The bulk of the sample surveyed operates in business services and the construction sector which are generally labour intensive. Therefore a representation of a labour intensive sector could have increased the usability of the findings of this study thus skewed the results.

6.2.8.3 Conclusion

Overall it seems that the findings support the hypothesis that SMMEs that participate in preferential procurement are more likely to increase employment. Thus in overcoming the unemployment issue in South Africa, more access to preferential procurement should be made by Government as suggested in the National Development Plan.

6.3   Chapter Conclusion

This chapter discussed the results in terms of the hypotheses in the context of the literature reviewed as well as the results of this study. The final chapter highlights the main findings of the research and discusses recommendations and limitation to the different stakeholders.

CHAPTER 7: CONCLUSION

7.1 Introduction

This final chapter begins by restating the main purpose of the current study, after which the academic importance of the study is discussed. Following on, the chapter also discusses the implication of the findings for stakeholders such as government and SMMEs. Thereafter, the limitations of the study are emphasised and the chapter concludes with suggestions for future research.

SMMEs play a vital role in the creation of employment opportunities. However, SMMEs face constraints that inhibit their growth, which includes limited access to markets. Thus the preferential procurement policy implementation as an intervention to address market access of previously disadvantaged SMMEs is imperative. The purpose of this study was to assess, through a review of the academic literature and by conducting a survey, resources SMMEs require to access preferential procurement opportunities and furthermore to investigate the outcome of participation in preferential procurement.

7.2 Academic contribution

The preferential procurement policy objective of granting SMMEs preference in the allocation of government contracts is to guarantee a level playing field by granting access to the market. Yet, it is unclear what the current position of SMMEs is in participating in preferential procurement, and therefore this study has analysed possible reasons explaining the lack of participation of SMMEs in government procurement.

Specifically, this study contributes to the preferential procurement literature by presenting survey based results, i.e. empirical evidence concerning the involvement and participation of SMMEs in government procurement and the impact thereof on employment generation. Previous studies have mostly been based on characteristics, the regulatory environment for SMME development and the barriers SMMEs face in supplying the government. This study creates new knowledge by not merely analysing

the resources required but also considering the outcome of participating in preferential procurement in the analysis of the study.

The perception of SMMEs captured in this research report can aid in gaining a better understanding of the issues that hinder participation of SMMEs in preferential procurement and therefore speed up the development and growth of the SMME sector. If Government wants to start seeing progress in growth of SMME and thereby achieve the country's development goals, measures should be put in place to address constraints that hinder SMMEs participation.

The study aims to provide guidelines to government institutions so that they are able to better provide support programs to SMMEs. In the process government will also meet their target of making procurement more accessible to SMMEs, thereby contribute to alleviating the unemployment crisis.

7.3   Findings

The study affirms what the literature on preferential procurement and SMMEs pronounce, in that there are specific resources that are seen as critical for SMMEs to successfully participate in preferential procurement.

The research study revealed that administrative resource is perceived to be the most significant resource in influencing involvement and participation in preferential procurement followed by supply capacity resource and lastly information resource as the least significant resource amongst the three that influences involvement and participation.

It is interesting to note that different sizes of enterprise perceive the significance of supply capacity differently. Micro enterprises (these are enterprises with less than 5 employees) perceive supply capacity as less significant in influencing them to bid for a tender in comparison to very small enterprises (between 6 to 20 employees).

7.4   Limitations and recommendations for future research

Generally most research studies have certain limitations that are as a consequence of *inter alia* budget and time constraints. This study has discussed various limitations of the study below.

7.4.1 Research methodology

As the web based self-administered questionnaire addressed historical activities, as far back as three years; retrospective bias may have been introduced; as owner and/or manager may have had difficulty recalling resources employed and the extent to which they were influential. The research methodology applied was also restrictive in a sense that it was web based and thus some SMMEs did not have emails and as a result could not partake in the survey; therefore the methodology applied was biased to an extent that it used only SMMEs that have a resource advantage in having access to technology.

7.4.1.1 Sample of the study

The sample was biased in favour against SMMEs that had not participated in preferential procurement. Thus only SMMEs that have not bid before was not represented in the sample at all. Focusing on SMMEs that have tendered before does not reflect the general status quo. The use of a more balanced sample to this effect may have solidified the understanding of SMMEs choosing not to be involved in preferential procurement opportunities. Exploring the perceptions of SMMEs that choose not to be involved in preferential procurement at all could be a meaningful and interesting extension of the current study.

In terms of sample composition; the study only sought SMMEs from one database and focused on the Gauteng provincial government departments, but the hypotheses are equally relevant to other provinces. Therefore future research may consider the use of a more representative sampling method, in an attempt to promote presumption and reduce bias and acquire the opinions of SMMEs from other provinces.

Furthermore research findings revealed that micro enterprise place a different significance level on supply capacity resource, therefore it would be interesting to know

on a broader scope and using a much bigger sample how most Micro enterprises perceive the supply capacity, therefore we recommend that future research investigate perceptions of micro enterprises on resources that influence involvement and participation in preferential procurement.

Furthermore our study focused on SMMEs supplying the public sector; Some SMMEs supply the private sector, it would have been interesting to compare the resources required in supplying government as compared to resources required in supplying the private sector.

7.4.1.2 Context and scope of the study

This study investigated resources grouped into namely; Information resource, administrative resource and supply capacity resource. Research findings reveal that SMMEs perceive information resource to be the least significant resource in influencing involvement and participation in preferential procurement which is contradictory to literature reviewed, therefore we recommend that future research investigate perception of SMMEs on only information resource using a broader sample.

7.5   Stakeholder implications

The findings of this study have considerable implications for the Government and SMMEs, especially in terms of the preferential procurement importance in promoting SMMEs growth and alleviating social issues within South Africa. By recognizing the constraints hindering SMME involvement and participation, all related parties such as SMMEs, government procurement departments and agencies can better design appropriate measures to counter these constraints.

7.5.1 *The importance of SMMEs participating in preferential procurement*

The findings of this study stressed the importance of resources in preferential procurement. SMMEs need to ensure that they actively work on acquiring the resources to be able to be involved and participate in procurement. Procurement is critical for

SMMEs in that it opens up markets and thus fosters growth of SMMEs. SMMEs wishing to commence supplying the government with goods and services should place more emphasis on capacitating their administrative and supply resources and take active steps in attaining these resources.

7.5.2 Recommendations for government

- Government could make a great contribution by understanding the dynamics of SMMEs. This research report could assist in developing plans that will foster growth of the SMME sector. Policies and support programs need to be based on empirical evidence in the context of South Africa. Government interventions can be a useful growth stimulant to the SMME sector; however it is dependent upon interventions addressing the real challenges faced by SMMEs sector. Therefore government needs to revise the current support programs and provide a more focused support program that will address the resource constraints faced by SMMEs in providing the government with goods and services.

- Government should support the SMME sector by finding other means of reducing the administrative burden inherent within the procurement process. With regard to addressing the administrative burden that was also emphasised in this study, it is recommended that government introduce an E-procurement portal. E-procurement portal will not only address the corruption issue, administrative issue but also address the concern of loopholes for corruption in the procurement process.

- A request for a purchase of goods or service by an official should be done via the e-procurement, thus allowing the system to automatically send an e-mail/notification to all suppliers registered that specifically supply products and services of that sector. When suppliers' bids are not successful, reasons thereof will be explained to the unsuccessful bidders. This process will help reduce corruption practices that are inherent in the procurement process. This system will reduce the administrative burden by linking systems such as Cipro and SARS to the portal. For example, the tax clearance status of an SMME can be updated

automatically. This system will also help in promoting greater transparency, efficiency and access to this market for SMMEs.

- SMMEs have shown that they are willing to generate employment; however they raise concerns regarding labour regulation; therefore the labour regulatory environment needs to be reformed to be more lenient towards SMMEs.

7.5.3 Recommendations for SMMES

- Administrative and supply capacity resource should be employed by SMMEs in an effort to overcome the barriers in participating in preferential procurement. However, SMMEs should be cautious and not only focus on the administrative resource at the expense of supply capacity but rather balance administrative resource and capacity development.

- The findings of this study have considerable implications for new SMMEs that want to partake in preferential procurement; specifically in terms of the importance of resources that will influence successful bidding and consequently fast track their access to the market.

- SMMEs within an industry are also urged to form a network in order to share information and attempt to share the administrative burden and build their supply capacity resource.

7.6   Summary

With the social and economic issues that South Africa currently experiences, preferential procurement can play a significant role in addressing these issues. However progress can only be made if all stakeholders are involved. The South African Government has done well to promote SMME development. The preferential procurement policy has placed emphasis on the SMME sector playing a vital role in reducing poverty, creating jobs and transforming the economic sector to ensure meaningful economic participation of SMMEs. Even though this policy favours SMMEs,

the set objectives of levelling the playing field by promoting participation in preferential procurement have not been achieved due to a number of reasons such as the constraints faced by SMMEs that inhibit their access to preferential procurement.

Evidence suggests that SMMEs that participate in preferential procurement contribute to the economy by generating employment. However this research study has found that SMMEs require certain resources that will influence involvement and participation in preferential procurement opportunities before generating employment can become a viable reality. These include administrative resource, supply capacity resource and information resource, in order of importance.

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APPENDIX A: SMALL BUSINESS SURVEY

CONSENT LETTER

Dear Respondent,

I am conducting research on the perceptions of the owners/managers of companies on resources required for participation in preferential procurement. You are kindly requested to take part in answering the attached questionnaire.

Your participation in answering these questions will be highly appreciated as this survey forms part of a research project for my Masters degree in Business Administration. There are no wrong or right answers to the questions. We are only interested in your honest opinion.

Your participation is voluntary and you can withdraw at any time without penalty.

You are requested not to mention your organisation's name to ensure confidentiality of your response. I hope you will take the time to complete this questionnaire honestly and truthfully.

Please be assured that your answers will be treated in strict confidence and will only be used for the purpose of this research.

By completing the survey, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact me or my supervisor (details below).

Thank you for your time and cooperation. Your contribution is of great importance to this research.

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Perceptions of Small, Medium and Micro Enterprises (SMMEs) on resources required to influence involvement and participation in preferential procurement.

Thank you for taking the time to complete this questionnaire. The aim of this survey is to examine perceptions of SMEs on resources required to be able to participate in preferential procurement. The findings of this study would assist SMMEs and government to better design suitable measures that can address participation in preferential procurement. From an understanding of resources required by SMEs to enable them to participate in preferential procurement, the provincial government could develop appropriate interventions.

The questionnaire is divided into four sections

Section A-Demographic information

Section B-Experience in procurement

Section C-Resources in participating in procurement

Section D-Outcome of participation

SECTION A: DEMOGRAPHIC INFORMATION

The following questions request background information of the company. Your responses will be used for statistical purposes only. Draw an X in the appropriate box next to the item that most closely represents the company information. Please mark one item per question.

1	ASK ALL:What is your role/position in the business		
	Owner	1	
	Manager	2	
	Owner and Manager	3	**CONTINUE**
	Other, Specify ………………………………………………..		
2	ASK ALL: Do you decide whether your company will tender or not for contracts from the Gauteng Provincial Government?		
	Yes	1	CONTINUE

	No	2	TERMINATE THE INTERVIEW
3	ASK ONLY IF YES ON 2: Has your business competed in a bid to deliver products or services to any Gauteng government department?		
	Yes	1	**CONTINUE**
	No	2	
	Do not know	3	TERMINATE THE INTERVIEW
4	**ASK ONLY IF YES ON 3:** What is the present legal status of your business? (Tick one only)		
	Sole proprietor	1	
	Private Company	2	
	Close Corporation	3	
	Partnership	4	**CONTINUE**
	Public Company	5	
	Other, Specify …………………………………………………		
5	How long has your business been trading? In number of years:		_____
6	In which economic industry/sector would you classify your business? You may select more than one industry.		
	Agriculture	1	
	Manufacturing	2	**CONTINUE**
	Construction, Mining	3	

Business Services	4	
Finance	5	
Transport	6	
Communication	7	
Healthcare, education and social services	8	
Wholesale, motor vehicles and repairs	9	
Customer Service	10	
Other, Specify ……………………………………………		
7	How many full time employees does your business employ in total, including the founder? Actual number:	_____

SECTION B: PREVIOUS EXPERIENCE IN PREFERENTIAL PROCUREMENT

Preferential procurement is procurement that gives preference in its awarding of contracts to businesses that have certain categories of individuals, such as blacks, women, and the disabled. Questions 8 to 15 allow us to develop an understanding of respondents' previous experience in preferential procurement.

8	In which of the following categories does/do the owner/s of the business fall? (You may select more than one option)		
	Black	1	
	Women	2	**CONTINUE**
	Disabled	3	
	Other, Specify ……………………………………………………..		
9	What percentage of the owners of the business is Historically Disadvantaged Individuals (HDI)?		

	Less than 25.1 %	1	**CONTINUE**
	25.1% - 50.1%	2	
	Above 50.1%	3	
10	How many tenders have you submitted in Gauteng in the past 3 years? Number of tenders		_____
11	Which of the following categories below best represents the value of most of the majority of contracts you bid for most often in the past three years?		
	Less than R500 000	1	**CONTINUE**
	R500 000 to R1 000 000	2	
	More than R1 000 000	3	
12	Has your business been awarded a contract by any Gauteng government department in the last 3 years?		
	Yes	1	CONTINUE
	No	2	GO TO QUESTION 16
13	How many times have you won a tender from any Gauteng department in the past 3 years?		_____
14	What is the highest value of a tender awarded to your company after competing in government tenders?		
	Less than R500 000	1	**CONTINUE**
	R500 000 to R1 000 000	2	
	More than R1 000 000	3	
15	Approximately what percentage/proportion of your annual turnover is accounted for by contracts won through participating in government tenders?		_____

	SECTION C: RESOURCES REQUIRED FOR A COMPANY TO BE INVOLVED IN PREFERENTIAL PROCUREMENT					
	This section allows us to understand the importance placed by you on resources that enable your involvement in preferential procurement.					

In your view how important are the following resources in tendering? Please rate the following on a scale of 1 to 5, where1 is not important at all and 5 is very important.

		Not Important at all	Somewhat unimportant	Neutral	Somewhat Important	Very Important
16	Business skills to identify government tender opportunities	1	2	3	4	5
17	Access to relevant information regarding the tender opportunity	1	2	3	4	5
18	Knowledge of the tendering process	1	2	3	4	5
19	Enough time to prepare a submission for a tender bid	1	2	3	4	5
20	Ability to understand the requirements of the tender bid	1	2	3	4	5
21	Ability to understand the language used in the tender document	1	2	3	4	5
22	Ability to provide the required documents, such as a tax clearance	1	2	3	4	5
23	Ability to provide sufficient quantity of products/service required on the tender document	1	2	3	4	5
24	Ability to provide the right quality of products/ services required on the tender document	1	2	3	4	5
25	Capability to meet the delivery requirements of the tender bid	1	2	3	4	5
26	With regards to the most recent **tender submitted** by the company, to what extent did each of the following contribute company bidding for the tender? Please rate the following in order of importance.					
		Not Important at all	Somewhat unimportant	Neutral	Somewhat Important	Very Important
	The owner/ manager's business skills to identify government tender opportunities.	1	2	3	4	5

The information about the government tender was easily accessible.	1	2	3	4	5
The information required in the tender application forms was easily understood.	1	2	3	4	5
The information the company was required to submit in order to qualify for the contract was easy to collect (example a tax clearance).	1	2	3	4	5
The company had sufficient knowledge of the tendering process.	1	2	3	4	5
The company had sufficient time to prepare a tender bid for submission.	1	2	3	4	5
The company understood the requirements on the tender documentation.	1	2	3	4	5
The company had all the required quality standards in place.	1	2	3	4	5
The company could deliver the quantity of products specified.	1	2	3	4	5
The company could offer the standard of services specified.	1	2	3	4	5

27	**Answer ONLY IF YES ON 12:** With regards to the most recent **tender won** by the company, to what extent did each of the following contribute to the company winning the tender? (On a scale of 1 = not at all to 5 = critical requirement)				
	Not at all Critical	Somewhat not Critical	Neutral	Fairly Critical	Very Critical
The owner/ manager's business skills to identify government tender opportunities.	1	2	3	4	5
The information about the government tender was easily accessible.	1	2	3	4	5
The information required in the tender application forms was easily understood.	1	2	3	4	5

The information the company was required to submit in order to qualify for the contract was easy to collect (example a tax clearance).	1	2	3	4	5
The company had sufficient knowledge of the tendering process.	1	2	3	4	5
The company had sufficient time to prepare a tender bid for submission.	1	2	3	4	5
The company understood the requirements on the tender documentation.	1	2	3	4	5
The company had all the required quality standards in place.	1	2	3	4	5
The company could deliver the quantity of products specified.	1	2	3	4	5
The company could offer the standard of services specified.	1	2	3	4	5

SECTION D: OUTCOME OF PARTICIPATION

28	**ASK ALL:** When the company is involved in tendering, what is the most important action the company will take should they win the tender?		
	Buy assets	1	**CONTINUE**
	Employ staff	2	
	Obtain working capital	3	
	None	4	
	Other, Specify ………………………………………………………..		

29	**ASK ONLY IF YES ON 12:** With regards to the **latest** government tenders that the company won in a bid, what action did the company take after winning the tender? (You may select more than one)		
	Bought assets	1	**CLOSE INTERVIEW**
	Increased Employees	2	**CONTINUE**

	Obtained working capital	3	**CLOSE INTERVIEW**
	None	4	
	Other, Specify ……………………………………………………………..		
30	How many people did the company employ **before** winning the tender (including the founder)? Provide actual number		
31	How many additional people did the company employ **after** winning the tender (including the founder)? Provide actual number		_____
32	Was the additional staff employed for the tender full time or part time?		
	Full time	1	**CLOSE INTERVIEW**
	Part time	2	

APPENDIX B: CONSISTENCY MATRIX

TITLE: Perceptions of SMMEs on resources required to influence involvement and participation in preferential procurement

HYPOTHESES	LITERATURE REVIEW	DATA COLLECTION TOOL	ANALYSIS
Hypothesis 1 H1a: SMMEs perceive information resource to be a significant resource that influence involvement in preferential procurement H1b: SMMEs perceive administrative resource to be a significant resource that influence involvement in preferential procurement H1c: SMMEs perceive supply capacity resource to be a significant resource that influence involvement in preferential procurement	Fee, Erridge & Hennigan, 2002 Antonites and Truter, 2010 Akhalwaya & Havenga, 2012 Clover & Darroch, 2005	Question 16 to 26	Cronbach's Alpha coefficient was used to assess reliability of resources on the likert scale Resources were grouped together to form a construct and a factor analysis was carried out to investigate the dimensionality of scale for various construct. Further analysis was carried out using a summated scale and a correlation analysis was used to assess correlation between resource and the dependent variable, involvement in preferential procurement

Hypothesis 2	Fee, Erridge & Hennigan, 2002	Question 12 Question 27	Cronbach's Alpha coefficient was used to assess reliability of resources on the likert scale
H2a: SMMEs perceive information resource to be a significant resource that influence participation in preferential procurement	Antonites and Truter, 2010		Resources were grouped together to form a construct and a factor analysis was carried out to investigate the dimensionality of scale for various construct.
H2b: SMMEs perceive administrative resource to be a significant resource that influence participation in preferential procurement	Akhalwaya & Havenga, 2012		Further analysis was carried out using a summated scale
H2c: SMMEs perceive supply capacity resource to be a significant resource that influence participation in preferential procurement	Clover & Darroch, 2005		To evaluate this hypothesis; independent samples t-tests were conducted to assess whether there is a difference in the mean rating on the three resources
Hypothesis 3	Kesper, 2001	Question 29,30 and 31	Frequency analysis on closed ended questions to give proportions of weightings
H3: SMMEs that participate in preferential procurement are more likely to increase employment	Bates, 2009 Myers, 2006		Paired sample t-test to assess significance of increase in employees

APPENDIX C: FREQUENCY TABLES

Table 1: Frequency table of legal status of business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner	25	48.1	48.1	48.1
	Manager	8	15.4	15.4	63.5
	Owner and Manager	19	36.5	36.5	100.0
	Total	52	100.0	100.0	

Table.2: Frequency table of legal status of business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole proprietor	2	3.8	3.8	3.8
	Private Company	22	42.3	42.3	46.2
	Close Corporation	26	50.0	50.0	96.2
	Partnership	2	3.8	3.8	100.0
	Total	52	100.0	100.0	

Table 5.3: Frequency on trading years

Number of Years Trading					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.9	1.9	1.9
	2	3	5.8	5.8	7.7
	3	5	9.6	9.6	17.3
	4	9	17.3	17.3	34.6
	5	14	26.9	26.9	61.5
	6	7	13.5	13.5	75.0
	7	3	5.8	5.8	80.8
	8	4	7.7	7.7	88.5
	9	2	3.8	3.8	92.3
	10	3	5.8	5.8	98.1
	12	1	1.9	1.9	100.0

		52	100.0	100.0	
	Total	52	100.0	100.0	

Table 3: Frequency of number of employees

Number of Employees	Frequency	Percent
0 - 5 (micro enterprise)	24	46%
6 - 20 (very small enterprise)	20	38%
21 - 50 (small enterprise)	3	6%
51 - 200 (medium enterprise)	5	10%
Total	52	100%

Table 4: Frequency of business sector

Sector	Frequency	Percentage
Business Services	19	37%
Construction Mining	14	27%
Communication	13	25%
Manufacturing	5	10%
Health care, education and social services	4	8%
Catering, cleaning, Security	4	8%
Transport	3	6%
Customer Service	3	6%
Finance	2	4%
Wholesale, motor vehicles and repairs	1	2%
Pharmaceutical	1	2%
Media	1	2%
Energy and resources	1	2%

Table 5: Frequency of tenders submitted

	Frequency	Percentage
Black	49	94%
Women	20	38%
Disabled	1	2%
Youth	1	2%

Table 6: Frequency of tenders submitted

Tenders Submitted in Gauteng in the last 3 years				
	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	1-4 tenders	19	36.5	36.5	36.5
	5 - 8 tenders	14	26.9	26.9	63.5
	9 tenders and above	19	36.5	36.5	100.0
	Total	52	100.0	100.0	

Table 7: Bidding success rate

How many times have you won a tender from any Gauteng department in the past 3 years?					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	None	19	36.5	39.6	39.6
	One	10	19.2	20.8	60.4
	Two	6	11.5	12.5	72.9
	Three	4	7.7	8.3	81.3
	Four	3	5.8	6.3	87.5
	Five and above	6	11.5	12.5	100.0
	Total	48	92.3	100.0	
Missing	System	4	7.7		
Total		52	100.0		

Table 5.8: Frequency table of value of tender awarded

Highest value of a tender awarded to your company after competing in government tenders					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Less than R500000	8	15.4	24.2	24.2
	R500000 - R1000 000	13	25.0	39.4	63.6
	More than R1000000	12	23.1	36.4	100.0
	Total	33	63.5	100.0	

Table 8: Frequency table of government contracts as a proportion of annual turnover

Proportion of Annual Turnover Accounted for by Contracts won through participating in Tenders		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25% and below	11	21.2	35.5	35.5
	26% - 50 %	8	15.4	25.8	61.3
	51% and above	12	23.1	38.7	100.0
	Total	31	59.6	100.0	
Missing	System	21	40.4		
Total		52	100.0		

Table 9: Frequency table

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Full time	6	11.5	46.2	46.2
	Part time	7	13.5	53.8	100.0
	Total	13	25.0	100.0	
Missing	System	39	75.0		
Total		52	100.0		