

## CHAPTER 7

### TYPE OF STUDY

#### 7.1 Introduction

This study is qualitative and as such, it is based on meanings expressed through words where results were collected in non-standardized data which required to be classified into categories and the analysis was done through the use of conceptualization. A key distinction is drawn between qualitative and quantitative research (Bryman, 1998; Easterby-Smith et al., 1991). However, attempts to define the distinctiveness of qualitative research, and therefore the way in which it can be distinguished from quantitative research can be problematic (Silverman, 1993). Nevertheless, through the data produced by this study, significant distinctions from those of quantitative work, for example, meanings derived from numbers, were drawn and these distinctions were helpful in terms of understanding what was necessary in order to be able to analyze the qualitative data of the study meaningfully.

#### 7.2 Qualitative data of the study

While 'number depends on meaning' (Dey, 1993: 28) it is not always the case that meaning is dependent on number. Dey, (1993: 28) points out that: 'The more ambiguous and elastic our concepts, the less possible it is to quantify our data in a meaningful way'. Qualitative data are associated with such concepts and are characterized by their richness and fullness based on an opportunity to explore a subject in a real manner as is possible (Robson, 1993). A contrast can thus be drawn between the 'thin' abstraction or description which results from quantitative data collection and the 'thick' or 'thorough' abstraction or description associated with qualitative data (Dey, 1993; Robson, 1993).

The nature of qualitative data in this study therefore had implications for both its collection and analysis. To be able to capture the richness and fullness associated with the data, it was not collected in a standardized way, like that of quantitative data. During analysis, however, the non-standardized and complex nature of the data collected was classified in categories before it could be meaningfully analyzed; otherwise the most that resulted was an impressionistic view of what it meant. While it was possible to make some use of diagrams and statistics, such as the frequency of occurrence of some categories of data, the way the collected qualitative data was analyzed was through the creation of a conceptual framework.

### **7.3 Qualitative data analysis of the study**

The approach adopted in this study involved disaggregating the mass of the qualitative data which was collected into meaningful and related parts or *categories*. This allowed the systematic arrangement and rigorous analysis of these data. Adopting this approach essentially meant transforming the nature of the data which was collected in order to allow the following:

- Comprehending and managing the collected data.
- Merging related data drawn from different transcripts and notes.
- Identifying key themes and patterns from it for further exploration.
- Testing propositions and hypotheses based on these apparent patterns or relationships.
- Drawing and verifying conclusions.

This process involved the following activities:

### **Categorization**

This first activity involved classifying the data into meaningful *categories* which were derived from the data. These categories were in effect labels which were used to rearrange the data. The categories provided an emergent structure which was relevant to the study to analyze the data further.

The identification of these categories was guided by the purpose of the study, as expressed through the research questions and objectives. As Dey (1993), puts it: 'categories must have two aspects, an internal aspect – they must be meaningful in relation to the data – and an external aspect – they must be meaningful in relation to the other categories', the devised categories were part of a coherent set so as to provide a well structured, analytical framework to pursue the analysis.

### **'Unitizing' data**

The next activity of the analytical process was to attach relevant 'bits' and 'chunks' of the data in units of data to the appropriate category or categories which were devised. A unit of data was a number of words, a sentence, a number of sentences, a complete paragraph or some other chunk of textual data which fits the category.

### **Recognizing relationships and developing categories**

This activity involved generating categories and reorganizing the data according to them. This analysis continued as key themes and patterns or relationships were searched in the rearranged data.

## **Testing propositions/assumptions**

When patterns were revealed and relationships recognized within the data between categories, propositions were tested. The appearance of an *apparent* relationship or connection between categories needed to be tested in order to be able to conclude that there is an *actual* relationship.

### **7.4 The interactive nature of the study process**

The course of events during the study demonstrated that data collection, data analysis and the development and verification of relationships and conclusions are very much an interrelated and interactive set of processes.

The interactive nature of data collection and analysis enabled the recognition of important themes, patterns and relationships as data was collected. As a result recategorizing existing data to see if these themes, patterns and relationship are present in the cases where data was already collected, as well as adjusting future data collection approach.

The concurrent process of data collection and analysis also had implications for the way in which time was managed and organization of data and related documentation. It was necessary to arrange interviews with enough time between to allow sufficient time to write up or type a transcript, or set of notes, and to analyze this before proceeding to the next data collection session.

### **7.5 Conclusion**

This chapter outlined the type of the study and the implications of its data collection and analysis. Unlike the quantitative study the analysis of this study is based on conceptualization.

In the following chapter the study's problem statement, objectives and hypotheses/propositions will be discussed.

## CHAPTER 8

### PROBLEM STATEMENT, RESEARCH OBJECTIVES AND PROPOSITIONS

*“The known is finite, the unknown infinite; intellectually we stand upon an islet in the midst of an illimitable of inexplicability. Our business....is to reclaim a little more land”*, Huxley as quoted by Dane (1990:61).

#### 8.1 Introduction

The literature review from chapters 3 to 5 determined, in general, that SMME sector development is very important both from an economic point of view as well as from a business management perspective, in particular, is an important element in addressing the social ills and the legacy of apartheid in this country. A major conclusion emanated from this review is that the SMME sector is an important contributor to a country's economy and that it can indeed, with support policies; contribute to job creation and economic growth.

From a South African context, SMMEs have, at least in theory, the potential to generate employment and upgrade human capital by absorbing the abundant pool of unskilled labour, which they can possibly employ and upgrade. The question is whether a more robust SMME growth strategy in South Africa will indeed generate employment by absorbing the unskilled labour force and provide a “skills upgrading process”.

South Africa's experience is very unique and even though the government may learn from other countries both internationally and regionally, the success of South African mechanisms is limited by historical neglect of education and training to those who contribute most in the small business sector (i.e. blacks). Therefore the key challenge in the South African context is identifying the best policy levers available to government, given the problem of inequality and the

overall thrust of an economic reform strategy comprising fiscal prudence, trade liberalization and deregulation of various economic sectors.

## **8.2 Problem statement**

In chapters 2 to 5 some of the existing literature on SMMEs was scrutinized (including the historical background of South Africa) to determine the dynamics and the current structure of the SMME sector with regard to its fitness in the overall macro-economic framework of the country and the country's economic growth. It has been found out that no literature or research reports exist that provide any concrete evidence to quantify the extent the SMME sector has contributed to the economic growth of the country through job creation and poverty alleviation as a result of the government's National Strategy and whether the government's mechanism and programmes to achieve that, has created an enabling environment for the SMME sector growth.

The current literature and statistics with regard to the structure of the small business sector is inconclusive (Kesper, 2000). There is a lot of conflicting assessment between different agencies' statistics including that of Ntsika. In addition, no text books or any concrete research study was found (both from the private and public sectors) which analyzed the impact of the government's National Strategy for the development and promotion of the small business sector in South Africa. This thesis will therefore serve as a seminal first step in evaluating the impact the National Strategy (designed in 1995) has had on the SMME sector i.e. whether it has indeed created an enabling environment for the small business sector to achieve its objectives of job creation and economic growth.

The dearth to the unemployment crisis in South Africa is continuously posing major challenges to the South African government in both social (crime) and economic (income generation) circles. On the global arena South Africa is also faced with challenges of re-integration into the world markets, while at the same time positioning itself to realize the importance of addressing the local

challenges. The international and local challenges, one would assume, will pose conflicting strategic priorities within the government's overall macro-economic strategy which are aimed at addressing both the local and international challenges.

It is a result of such challenges that forced the government to move quickly to launch the new and untried National Strategy for the development of small business sector in the country. The National Strategy was structured to forge a wide range of participants in both the private and public sectors hoping it would address the local challenges (job creation, poverty alleviation and economic growth) while also being globally competitive at the same time.

The government's initiative could, one would also assume, face enormous difficulties and pains to achieve its objectives because of the country's apartheid legacy which has created South Africa's dearth of entrepreneurial tradition and culture, lack of business skills and finance most especially among the targeted group (blacks). These factors may mean that progress to the attainment of the objectives of the government's initiative would face tremendous difficulties.

Since it is believed that job creation does not exist in the entire small medium and micro enterprises (SMMEs) but mainly in small medium enterprises (SMEs), the small-scale mining sector specifically black economic empowerment (BEE) companies was chosen to compare the findings of the National Strategy's impact by an evaluation of the instructional framework and other related institutions to the extent the small-scale mining sector has benefited from the government's National Strategy and whether the Strategy has indeed created an enabling environment for that particular sector.

The small black economic empowerment mining database from the Department of Minerals and Energy is usually not updated and that created problems when conducting the interviews within that sector. Most of the companies in the current database no more exist and a lot have changed locations and hence their contact particulars.

### **8.3 Objectives of the study**

The main objective of this study is to evaluate the impact of South Africa's National Strategy for the development and promotion of the small business sector in general and specifically on the small black economic empowerment mining companies. This objective is summarised into the following focus areas:

- Analysis of the institutional framework created within the government's National Strategy spearheaded by the Department of Trade and Industry.
- Analysis of the effectiveness of the government's National Strategy through the service providers (both financial and non-financial) created under the National Strategy and some small businesses.
- Analysis of some governmental departments and some business institutions not incorporated within the government's National Strategy's framework but having SMME developmental programs themselves.
- A primary investigation of some parastatal organizations and provincial SMME desks.
- A study of the impact of the government's National Strategy through a structured questionnaire on the small black economic empowerment mining companies.

Against this background, the objectives of this study are twofold: the provision of a more comprehensive understanding of the structure of the government's National Strategy's framework and the challenges at stake if any, in order to highlight them thus far and specifically whether the National Strategy has had any significant positive impact on the small-scale mining sector. This, it is assumed, will give a general picture as to whether the government's National



Strategy for the development and promotion of small business in South Africa has indeed created an enabling environment for the sector.

In detail the study will attempt to:

### **Revisit the rationale of the SMME policies**

While there is a general consensus on the importance of SMMEs in South Africa, their economic rationale to date has not been well argued nor rigorously investigated. In particular, there is a lack of clarity on how the SMME sector fit within the industrial policy framework with regard to the objectives of government (RSA, 1995:10).

### **Propose some goals for the policy**

According to Rogerson (1997) optimizing the SMMEs' contribution to employment and economic development could be translated into the following broad objectives:

- Raising the rate of formation of new SMMEs with growth potential since these SMMEs will contribute to investment, employment and income generation.
- Encouraging new SMMEs arising from a previously disadvantaged background, since these start-ups can contribute to redistribution of economic ownership and income, as well as a more participatory economy.
- Increasing the rate of graduation of micro-enterprises into the SME categories, since only then will the legacy of apartheid be overcome.
- Raising performance of existing SMMEs with a view to increasing both their competitiveness and their ability to fulfil a role in society.

- Decreasing the undesirable mortality rate of SMMEs that could be viable undertakings.

### **Main areas of intervention required**

Achieving these broad objectives typically requires policies, which will focus on:

- Increasing the supply of the entrepreneurial talent and opening opportunities.
- Providing support to existing SMMEs – micro-enterprises in particular – at no higher than its social opportunity costs.
- Providing incentives for formalization of enterprises, including cultural bridging.
- Assisting SMMEs (where necessary) to use the resources as efficiently as possible.

Within the context of the overall macro-economic performance, the ideal policy package for SMME support in South Africa should allow this sector to maximise its contribution to the economy's overall performance in terms of growth, employment and income distribution (RSA, 1995). This is likely to involve making more resources available to the sector as well as raising the efficiency with which it uses the resources already available.

### **Evaluation of policies to date**

With policy initiatives already under way, the study aims to disentangle the reasons for the SMME sector growth (low or high), and why it has made or not made a more significant contribution to employment and overall economic

growth in South Africa. By doing so, the study aims to assist the government's National Strategy framework in reconsidering its policy as an integral part of its industrial development strategies.

### **The impact of the National Strategy in the small black economic empowerment mining companies**

Apart from interviews with the institutions created under the government's National Strategy, service providers (financial and non-financial), other institutions not created under the National Strategy but involved in SMME programmes and other secondary data in relation to the SMME sector, the study will attempt to investigate the National Strategy's impact on the small black economic empowerment mining companies.

#### **8.4 Research propositions**

In this section a number of research propositions that aim to address the research problem and research objectives will be discussed.

The use of research propositions and research hypotheses in a study need some clarification. Dilton, Madden & Firtle (1994:417) and MacDaniel & Gates (199:514) argue that a hypothesis is an assumption or guess that the researcher makes about some characteristic of the sample population.

Willemsse (1990:131) defines a hypothesis as an assumption to be tested with the objective of making statistical decision based on a scientific procedure. It is an attempt to determine when it would be reasonable to conclude, from an analysis of a sample, that the entire population possesses a certain property.

Cooper and Schindler (1998:131) argue that the immediate purpose of exploration (research) is usually to develop hypotheses or questions for further research. They (1998:48) also state that research literature disagrees about the meaning of the terms proposition and hypothesis. Their definition of a proposition is that it is a statement about concepts that may be judged true

or false if it refers to observable phenomena. When a proposition is formulated for empirical testing, they refer to it as a hypothesis.

The research propositions of the study were formulated in such a way that may allow limited statistical analysis and will be judged according to the definition of Cooper & Schindler (1998:131) that a proposition is a statement about concepts that may be judged true or false if it refers to observable phenomena. The propositions will be accepted if they can be judged to be true or rejected if they can be judged to be false.

In the first phase of the study the propositions formulated can be summarized as follows:

#### **8.4.1 Testing the effectiveness of the institutions created within the government's National Strategy**

The institutional framework of the government's National Strategy consists of the Centre for the Small Business Promotion (CSBP), Ntsika Enterprise Promotion Agency (NEPA) and Khula Enterprise Promotion Agency (KHULA) which all fall under the jurisdiction of the Department of Trade and Industry.

The research propositions in this section will cover these three institutions i.e. CSBP, NEPA and KHULA incorporated in the institutional framework of the government's National Strategy for the development and promotion of SMMEs.

The propositions only apply to the research subjects, namely directors and/or heads of different departments within these institutions who manage these departments. These research propositions were formulated to test their opinion on the successes or failures with regard to achieving their mandates as stipulated in the White Paper on National Strategy for the development and promotion of small business in South Africa (Notice No. 213 of 1995). Evaluating the institutional framework of the government's National Strategy entailed a descriptive analysis in each of the three institutions.

Three research propositions in this section were formulated as follows:

Proposition One:                    The Centre for Small Business Promotion as a policy centre and custodian of the South African National Strategy for the development and promotion of the SMME sector has coordinated all institutions incorporated in the institutional framework of the National Strategy effectively.

The response to this statement will be tested by analyzing the following issues within the CSBP (a detailed analysis is given in Chapter 10):

- The CSBP's mission and objectives.
- The CSBP's structure and its activities.
- Performance activities of the CSBP.

Proposition Two:                    Ntsika Enterprise Promotion Agency has provided its wide range of non-financial services to local service delivery groups successfully thereby meeting the objectives of the government's National Strategy.

The response to this statement will be tested by analyzing the following issues within Ntsika (a detailed analysis is given in Chapter 10):

- Analysis of Ntsika's mission and objectives.
- Analysis of the institutional framework of Ntsika.
- Analysis of Ntsika's success in meeting its programme objectives.

- Analysis of Ntsika's monitoring and evaluation process.

Proposition Three: Khula has improved access to finance for the country's SMME sector with special emphasis on the previously disadvantaged population as mandated by the government's National Strategy successfully.

The response to this statement will be tested by analyzing the following issues within Khula (a detailed analysis is given in Chapter 10):

- Analysis of Khula's missions and objectives.
- Analysis of Khula's programmes and their performance.

#### **8.4.2 Testing the effectiveness of the government's National Strategy**

The propositions to test the effectiveness of the government's National Strategy applied to the research subjects, namely directors and/or owners of those institutions which provide financial and non-financial services on a retail basis on behalf of Khula and Ntsika respectively and the owners of small medium and micro enterprises (refer to appendices two, three and four).

Three research propositions were formulated as follows:

Proposition Four: Khula's financial service providers have provided their finance services to SMMEs effectively.

The response to this statement will be tested by analyzing the following issues from Khula's financial service providers (a detailed analysis is given in Chapter 10):

- Their sizes of loans to SMMEs.
- The assistance that borrowers (i.e. SMMEs) of funds receive from them to develop business plans, identify market opportunities, and prepare loan applications.
- Their ultimately usage of borrowed used.
- Their level of communication with Khula.
- Their level of interaction with Ntsika or Ntsika's non-financial service providers.
- Whether they provide mentoring, monitoring and evaluation, or aftercare to their recipients.

Proposition Five: Ntsika's non-financial service providers have provided their services to the SMME sector effectively.

The response to this statement will be tested by analyzing the following issues from Ntsika's non-financial service providers (a detailed analysis is given in Chapter 10):

- Their level of coordination and communication with Ntsika.
- Their linkages with Khula's financial service providers.
- Their monitoring and evaluation of clients.
- Whether they have training for the service provider management.
- Their tracking results of assistance.

- Their sectoral approach.

Proposition Six:                   The sourcing of both financial and non-financial services by SMMES through the institutional framework of the National Strategy was effective.

The response to this statement will be tested by analyzing the following issues from SMMES (a detailed analysis is given in Chapter 10):

- Whether they consider themselves as a small, medium or micro enterprise.
- Type of assistance they were receiving.
- Processes they encounter when obtaining assistance.
- The use of their assistance.
- The impact the assistance has had on their businesses.
- Their additional needs.

#### **8.4.3 Testing of other institutions influencing small business development**

These propositions applied to the research subjects, namely heads of other government's departments (refer to appendices five and six) other than those within the Department of Trade and Industry and managing directors and/or heads of departments of other business organizations – only the National African Federated Chamber of Commerce (NAFCOC) and the South African Chamber of Business (SACOB) were interviewed.

The research propositions were formulated as follows:



Proposition Seven: There is awareness within government departments of the government's National Strategy for the development and promotion of SMMEs.

Proposition Eight: There is awareness within business organizations of the government's National Strategy for the development and promotion of SMMEs.

Proposition Nine: There is collaboration between government's department and other business organizations with the institutions created under the government's National Strategy.

The responses to these statements will be tested by analyzing the contribution, current views and future roles of those government's departments and other business organizations outside government with regard to the following (a detailed analysis is given in Chapter 10):

- Awareness and understanding of the National Strategy and its institutions and programmes within other government departments.
- Assessments of the SMME support policies and programmes of these organizations and departments.
- Relationship between the National Strategy's programmes and those of other government's departments and other business organizations.

#### **8.4.4 Testing of parastatal organizations and provincial SMME desks**

The propositions to test the parastatals and the provincial SMME desks applied to the research subjects, namely managing directors of those

parastatals (refer to appendix seven) and provincial heads of the provincial SMME desks (refer to appendix eight).

The research proposition with regard to parastatal organizations was formulated as follows:

Proposition Ten: Parastatals are aware of the government's National Strategy for the development and promotion of SMMEs and are satisfied with the way the National Strategy has contributed to their own SMME initiatives.

The response to this statement will be tested by analyzing the following from the parastatals (a detailed analysis is given in Chapter 10):

- Level of awareness of the SMME strategy by the parastatal community with regard to:
  - Their view on the National Strategy on a long term basis.
  - Their knowledge of the National Strategy.
  - Their view on the government's efforts with regard to the implementation of the National Strategy.
- The expectation these parastatals have of the SMME strategy with regard to:
  - Their view of the National Strategy with regard to their own SMME initiatives.
  - Their view with regard to the National Strategy with regard to market and training opportunities to assist SMMEs.

The research proposition with regard to provincial SMME desks was formulated as follows:

Proposition Eleven: Provincial SMME desks are effectively and directly involved in the government's National Strategy's activities.

The response to this statement will be tested by analyzing the following from the provincial SMME desks (a detailed analysis is given in Chapter 10):

- Their direct involvement in the National Strategy's activities with regard to the following:
  - As to whether they are being briefed by the DTI on the National Strategy's activities.
  - Their involvement in other various ministerial committees.
  - Their significant input into local SMME strategies and programmes.
  - Their representation of CSBP at the provincial level.

#### **8.4.5 Testing of small black economic empowerment mining companies**

The assessment of small black economic empowerment mining companies with regard to the government's National Strategy comprised the second phase of the study and like in the first phase, the propositions of this phase will be judged according to the definition of Cooper & Schindler (1998:131) that a proposition is a statement about concepts that may be judged true or false if it refers to observable phenomena. The propositions will be accepted if they can be judged to be true or rejected if they can be judged to be false.

The propositions with regard to the small black economic empowerment mining companies apply to the research subjects, namely owners of the small black economic empowerment mining companies and the evaluation entailed a descriptive statistical analysis of information supplied by the owners of small mines through a structured questionnaire (refer to appendix one for the questionnaire used in this study and appendix nine for the list of owners of small mining operations interviewed).

The propositions in this phase of the study can be summarized as follows:

Proposition One:                      Small black economic empowerment mine owners know some programmes including the government's National Strategy for the development and promotion of Small Businesses.

The response to this statement will be tested by questions 1 to 3 of the questionnaire and its analysis will be based on their knowledge of any government programs or NGOs active in the development of small businesses including the government's National Strategy.

Proposition Two:                      Small black economic empowerment mine owners know how the government's National Strategy go about its business, how to get access to it and they have had contact with the institutions formulated within the National Strategy's institutional framework.

The response to this statement will be tested by questions 4 to 7 of the questionnaire and its analysis will be based on their knowledge on the way the government's National Strategy goes about its business and how they would gain access to it, and if at all they have had any contact with any of the institutions created within the institutional framework of the National Strategy.

Proposition Three: Small black economic empowerment mine owners have been very satisfied with the way the government has implemented its National Strategy for the development and promotion of small businesses.

The response to this statement will be tested by questions 8 to 9 of the questionnaire and its analysis will be based on their satisfaction with the way the government has implemented its National Strategy for the development and promotion of small businesses.

Proposition Four: The government's National Strategy has created opportunities i.e. an enabling environment for the small mining sector which in turn has minimized their weaknesses and barriers for growth thereby enhancing their meaningful participation in South Africa's mining industry.

The response to this statement will be tested by questions 10 to 14 of the questionnaire and its analysis will be based on the way the government's National Strategy has created opportunities for the small-scale mining companies and help minimize their weakness and barriers to entry in the mining industry.

Proposition Five: Small black economic empowerment mine owners have had formal training and do not require any formal training in most business disciplines.

The response to this statement will be tested by questions 15 to 17 of the questionnaire and its analysis will be based on the way the government's National Strategy has provided training opportunities to small black economic mine owners with regard to their business operations.

Proposition Six: Small black economic empowerment mine owners think that the government has succeeded in the provision of necessary support for their businesses.

The response to this statement will be tested by questions 18 to 19 of the questionnaire and its analysis will be based on the way small miners feel the government has succeeded in the provision of the necessary support for their businesses.

Proposition Seven: Most small miners opened their businesses after 1994 and that there has been significant growth in their businesses with regard to the number of employees and their annual turnover.

The response to this statement will be tested by questions 20 to 24 of the questionnaire and its analysis will be based on the way their businesses have grown with regard to the number of employees and their turnover.

The twenty four questions were formulated to test the propositions of the second phase of the study and the analysis of these propositions will lead to a conclusion on whether the government's National Strategy for the development and promotion of SMMEs has created an enabling environment for the small black economic empowerment mining companies sector since the government's National Strategy's inception in 1995.

## **8.5 Conclusion**

This chapter stated that the main objective of the study is to evaluate whether the South Africa's National Strategy for the development and promotion of the SMME sector has created an enabling environment for the sector.

A number of research propositions were formulated to cover the main areas in the study. These research propositions also provide the basis for testing the

impact the government's National Strategy has had thus far on the small business sector.

**In the next Chapter** the research methodology will be outlined and discussed.

## CHAPTER 9

### RESEARCH METHODOLOGY

*“People don’t usually do research the way people who write books about research say that people do research,”* Bacharach (1981) as quoted by Dane (1990:201)

#### 9.1 Introduction

As the government’s National Strategy for the development and promotion of the SMME sector has been in operation since 1995, it is assumed that the National Strategy should at least by now have achieved its objectives of job creation and growth of the small business sector. Formal and intensive research with regard to assessing the impact of the government’s National Strategy was not found. Therefore, as an initial step in advancing such a research the author has undertaken, as the major focus of the study, an attitudinal survey of the drivers within the institutional framework of the government’s National Strategy including service providers and recipients in the first phase of the study.

Realizing that many other government and non-governmental agencies in South Africa also play critical roles in the provision of services to the SMME sector, the study also examined the activities and impacts of several other institutions to determine how their programmes can be integrated into the larger National Strategy.

At the heart of the investigation in phase one was a series of interviews (through telephone, faxes, emails and personal contact) in the four provinces (Gauteng, Mpumalanga, North-West and Limpopo) that were carefully planned to bring a representative cross-section of local service providers,



other institutions working with the small business sector and finally in phase two, owners of small black economic empowerment mining companies.

The study has made strong effort to reflect the consensus of these role players, based on the information and views given. Therefore, it should be emphasized that the observations and conclusions, and to a large extent the recommendations themselves, are the result of the views of the role players during the study. The study has attempted to reflect these views and judgments.

The theoretical base for this study has been built up in such a way as to investigate and analyse the extent to which the South African government's National Strategy for the development and promotion of the SMME sector has created an enabling environment for the sector so far.

The evaluation, firstly, used the White Paper and some literature on SMME which was found as a point of departure and then began its in depth analysis by interviewing key members of the CSBP, Ntsika, and Khula to review each of the objectives, the programmes formed in response to these objectives, the monitoring impacts of these programmes, and the manner in which these impacts have been measured.

This phase of the study encountered a few challenges, for example, measuring the impacts of the National Strategy's programmes on the target population is an inexact science, and a challenge that seemed difficult to address because of the lack of solid information from the institutions studied – understandable given broad mandates of these institutions and in other instances the information was regarded as highly confidential by the institutions until they were convinced that the information was required for research purposes only – made it difficult during the study. Institutions seemed to have used varied formulas to estimate job impacts, for example based on their interventions. For this reason it was difficult to verify or refute these estimates that were built on the preliminary data collected.

This phase also wanted to evaluate the efficiency of “the utilization of resources allocated”. This was done mostly on general sense, in that a detail financial analysis, tracing expenditure programme by programme and region by region could not easily be accessible.

The second phase of the study was to assess the government’s National Strategy’s impact on the small black economic empowerment mining companies as a sector within the broader SMME sector. The population in the second phase of the study (44 companies) comprised of the small black economic empowerment mining companies in South Africa. The attitudinal study with regard to the population (small black empowerment mining companies) had been chosen in order to sustain mainly whether the owners of these companies are aware of the government’s National Strategy and how, if at all, it has helped them in their business operations.

## **9.2 Research design**

The research design of this thesis is of an exploratory nature. Cooper & Schindler (1998:134) mention that “exploratory research is (unfortunately) linked to old biases about qualitative research, namely subjectiveness, non-representativeness and non-systematic design. A wiser view is that exploration saves time and money (in future) and should not be slighted because exploratory (research) covers areas that may be so new or so vague that a researcher needs to do an exploration just to learn something about the dilemma at hand”.

Cooper and Schindler (1998:131) also state that “exploratory studies tend towards loose structures with the objective of discovering future research tasks”. MacDaniel & Gates (1999:63) mention that exploratory research is usually small-scale research undertaken to define the exact nature of the problem to gain a better understanding of the environment within which the problem occurred.

In previous chapters it has been argued that the South Africa's National Strategy for the development and promotion of the SMME sector has not been extensively researched to determine its impact on the SMME sector. In the literature review chapters the argument of a number of authors led to the conclusion that the government's National Strategy's research is still in its infancy. These views and a lack of a research report on the South African National Strategy leads therefore to the assumption that relatively little about the government's National Strategy's impact is known. The main aim of the study is therefore to analyze the impact of the South Africa's National Strategy for the development and promotion of the SMME sector and as to whether it has indeed created an enabling environment for the small business sector.

The research process consisted two distinctive phases that aim to identify and determine as to whether, since its inception in 1995, the government's National Strategy has created an enabling environment for the SMME sector in this country.

The first phase of the study comprised the following steps:

### **9.2.1 Assessment of the effectiveness of the institutions created within the government's National Strategy**

The three major institutions which constitute the institutional framework of the National Strategy (falling under the jurisdiction of the DTI) were targeted for interviews. The assessment of the effectiveness of the institutions created within the National Strategy was done by surveying the chosen research subjects on their opinion with regard to their success or failures in achieving their mandates as stipulated by the White Paper on National Strategy for the development and promotion of small businesses.

In each of the three institutions the following analyses were conducted:

#### **9.2.1.1 Centre for the Small Business Promotion**

- Analysis of the mission and objective of the Centre for Small Business Promotion.
- Analysis of the structure and activities of the CSBP.
- Performance activities.

The above-mentioned issues were analyzed by firstly identifying the responsibility of the CSBP as stated in the White Paper on National Strategy for the development and promotion of small businesses, which clearly stipulates that the CSBP is a “steward” or a “champion” of the government’s National Strategy.

The White Paper on the National Strategy for the development and promotion of small businesses clearly states that the Centre for Small Business Promotion will undertake the following:

- Being responsible for all matters related to the government’s support for small, medium, micro and emergent enterprises.
- Being responsible for the monitoring of the co-operation between different government departments in matters relating to small business support.
- Maintaining of strict control over organizations receiving or channeling public sector funds for small business support.

The above mentioned issues created the following operational objectives for the Centre for Small Business Promotion which the study had to analyze:

- The championing of the SMME sector in South African economic development, for example, creating awareness of SMME issues.
- The implementation of critical SMME programmes, for example, improving SMME's access to services
- The monitoring and evaluation of progress and problems, for example, identifying gaps and areas not adequately served within the context of the government's National Strategy.

The CSBP resources including personnel were evaluated to assess as to whether they would enable the CSBP to accomplish its operational objectives effectively in an effort for it to achieve its main objectives as stipulated in the White Paper.

#### **9.2.1.2 Ntsika Enterprise Promotion Agency**

- Analysis of Ntsika's mission and objectives.
- Analysis of the institutional framework of Ntsika.
- Analysis of Ntsika's success in meeting its programme objectives.
- Analysis of Ntsika's monitoring and evaluation process.

To analyze the abovementioned Ntsika's issues, Ntsika's programmes on meeting the objectives of the government's National Strategy were evaluated. The White Paper states a number of objectives of the National Strategy including the creation of an enabling environment for small enterprises.

Interpreting the government's National Strategy's requirements, the study identified the following programmatic activities with regard to Ntsika's mandate:

- Providing access to information and advice.
- Providing access to marketing and procurement.
- Training in entrepreneurship, skills and management.
- Providing access to appropriate technology.
- Capacity-building and institutional strengthening.

These programmatic activities were evaluated to assess as to whether, in Ntsika's current state with regard to its resources, Ntsika can effectively carry out these activities more efficiently in order to achieve the government's National Strategy's objectives.

#### **9.2.1.3 Khula Enterprise Finance Limited**

- Analysis of Khula's missions and objectives.

According to the White Paper on National Strategy for the development and promotion of small Business in South Africa, Khula's missions and objectives can be broken down into the following:

- Increasing the level of banking lending to SMMEs.
- Improving the outreach of alternative financial institutions, particularly in un-served rural areas.
- Providing start-up and small scale equity products.
- Expanding the number of SMMEs with external equity participation.

These missions and objectives create both external and internal operational objectives for Khula, which can be summarized as follows:

### **External**

- Facilitating the mobilization and flow of resources (both public and private) for SMME development.
- Increasing awareness of Khula.
- Promoting a favourable legislative environment.
- Cooperating closely with “sister organizations, such as Ntsika, LBSCs and provincial SMME desks.

### **Internal**

- Maintaining a skilled, effective, and motivated professional staff.
- Maintaining Khula as a lean organization.
- Meeting the expectations of shareholders as defined in the mission statement.
- Effectively managing business risks of the organization.

These external and internal operational objectives were evaluated in relation to Khula’s current state with regard to its resources to effectively carry out these activities more efficiently for it to achieve the government’s National Strategy’s objectives.

- Analysis of Khula’s programmes and their performance.

In order to do this analysis the following were evaluated:

- Khula's management philosophy.
- Structure of Khula's operations.
- Khula's marketing communications strategy.
- Khula's monitoring, evaluation and reporting systems.
- Khula's corporate governance.
- Khula's human, financial and internal management.

These were evaluated in relation to Khula's current state in meeting its programmes and rate of performance in executing these programmes.

### **9.2.2 Assessment of the effectiveness of the government's National Strategy**

This component of the study was an assessment of the effectiveness of the government's National Strategy whose key components was an in-depth evaluation (through telephone, faxes, emails and personal contacts) of the perceived impacts of the government's National Strategy with relation to its stated objectives of employment creation, income generation and economic growth.

It was decided during the study that a structured process of meetings or interviews with service providers and recipients of those services be conducted. A month long preparation was undertaken to ensure that a representative sample could be reached through face-to-face meetings or telephonic as well as email interviews and faxes.

Interviews were conducted with service providers (both financial and non-financial) and small businesses, carefully selected to provide a good cross-



section of opinion. This was done in the following four provinces: Gauteng, North-west, Limpopo, and Mpumalanga. These areas were chosen simply because the author is conducting his business operations in these provinces.

This part of the study focused on the services provided by these organizations and the perceptions of these organizations of how successful these services are meeting the objectives of their mandates. In the case of SMMEs that have received these services, the study sought to understand what types of assistance were received from the service providers, how that assistance benefited their businesses, and what other types of assistance would be useful. Both providers and recipients were asked to detail their perceptions to change and improve the government's National Strategy's approach to developing small business and creating jobs.

In the course of these investigations emphasis was put on the financial service providers (i.e. Khula's RFIs), non-financial service providers (i.e. Ntsika's service providers) and SMMEs. The several key issues the study sought to identify were:

From Khula's ***financial service providers***, the investigation sought out to investigate the following:

- Size of loans (micro, small, medium).
- Assistance that borrowers received from these groups to develop business plans, identify market opportunities, and prepare loan applications.
- How borrowed funds were ultimately used.
- Level of communication with Khula.
- Level of interaction with Ntsika or non-financial service providers.

- Who funds the service provider.
- Whether or not the service provider provides mentoring, monitoring and evaluation, or aftercare to the recipients.

From Ntsika's ***non-financial service providers***, the investigation sought out to investigate the following:

- The level of coordination and communication with Ntsika.
- Linkages with other programmes, i.e. financial providers.
- Monitoring and evaluation of clients.
- Distribution of assistance.
- Training conducted for the service provider management.
- Tracking results of assistance.
- Sectoral approach.

From ***SMMEs***, the investigation sought out to investigate the following:

- Types of firms receiving assistance.
- Assistance they are receiving.
- Processes for obtaining assistance.
- Use of assistance.
- Impact the assistance has had on their businesses.

- Their additional needs.

### **9.2.3 Assessment of other institutions influencing small business development.**

The assessment of other institutions influencing small business focused on government departments other than those groups affiliated with the Department of Trade and Industry as well as organizations outside government, specifically business organizations, SMME development practitioner bodies and institutes. The focus was on assessing the views of these different actors, and their current and future roles, with regard to the government's National Strategy.

This part of the investigation was divided into four key components:

- Awareness and understanding of the government's National Strategy and its institutions and programmes by these institutions.
- Assessment of the SMME support policies and programmes of these organizations and departments.
- Relationship between the programmes of these institutions (and delivery institutions, where applicable) and those falling under the government's National Strategy.
- These institutions' overall assessment of the strengths and weaknesses of the government's National Strategy and their recommended changes.

A series of in-depth interviews was undertaken with senior personnel within each organization. Interviewed were directors and/or heads within government departments and senior officers within business organizations. Although most of those targeted for participation in the study did participate, a considerably

large number failed to do so. These were either not able to accommodate the study due to other commitments or declined participation mainly due to their lack of information on the government's National Strategy and its operations.

#### **9.2.4 Assessment of the role of parastatal enterprises and provincial SMME desks**

##### **9.2.4.1 Parastatal organizations**

In conducting this part of the study, parastatal enterprises as shown in appendix seven were targeted.

More than 50% of the institutions targeted were interviewed. The study focused on how these institutions have participated in the government's National Strategy and how their involvement has intensified the objectives of the National Strategy.

Interviews with these institutions highlighted the following aspects in relation to the government National Strategy:

- Level of awareness the parastatal community has with regard to the National Strategy.
  - Their view on the government's National Strategy on a long term basis.
  - Their knowledge of the government's National Strategy.
  - Their view on the government's efforts with regard to the implementation of the National Strategy.
- The expectation these parastatals have of the SMME strategy.

- Their view of the government's National Strategy with regard to their own SMME initiatives.
- Their view with regard to the government's National Strategy with regard to market and training opportunities to assist SMMEs.

#### **9.2.4.2 Provincial SMME desks**

The provincial SMME desks as indicated in appendix eight were interviewed. The role of the provincial SMME desks is to co-ordinate the government's National Strategy's initiatives at a provincial and local level. The study covered the following scope in conducting its evaluation of the SMME programmes in their provinces:

- The responsibility they have in the coordination of the SMME Strategy in the provincial and local levels.
- Their influence to create laws that will impact SMMEs at the levels where provincial governments have authority.
- Their interaction with the CSBP, Ntsika and Khula on how the government's National Strategy is coordinated as well as the relevant policies.

The direct involvement of SMME desks in the government's National Strategy's activities can be described as follows:

- In most instances they attend meetings at the DTI to be briefed on Strategy activities.
- The provincial SMME desks also get involved through various ministerial committees.

- There is insufficient evidence to suggest that the provincial SMME desks provide any significant input into local strategies and programmes.
- They represent the interest of the CSBP at the local level. This is made difficult by the fact that the Strategy's institutions do not usually liaise with them directly. Their constituencies get confused about the role of these institutions that are operating on the ground.

### **9.2.5 Small black economic empowerment mining companies**

The second phase of the study specifically targeted the small black economic empowerment mining companies as per the sample shown in appendix nine. The analysis in this phase of the study was done through a structured questionnaire (refer to appendix one). The assessment tried to verify as to whether the small black economic empowerment mining companies are aware of the government's National Strategy for the development and promotion of the SMME sector and if so, how it has assisted them in their business operations. This, it is believed, will test the two main objectives of the National Strategy of job creation and economic growth of the SMME sector. These objectives are also the objectives of the study from which the study is built i.e. whether the government's National Strategy has indeed created an enabling environment for their small-scale mining companies to achieve the government's National Strategy's objectives.

#### **9.2.5.1 Assessment of the small black economic empowerment mining companies**

The assessment of the small black economic empowerment mining companies was done through a random sample of twenty-two (22) small miners (refer to appendix nine) out of a population of forty-four (44) small miners. The database of the entire population of the small black economic empowerment mining companies was provided by the Department of Minerals and Energy in Pretoria.

Although the sample was selected randomly acceptability and availability of the respondent affected the selection of the sample size itself.

The questionnaire tested the respondents on the following issues:

- The small miners' knowledge of any programs including the government's National Strategy for the development and promotion of Small Business.
- The small miner's knowledge of how the government's National Strategy go about its business, how to get access to it and whether they have had any contact with the institutions formulated within its framework.
- The small miners' satisfaction with the way the government has implemented its National Strategy for the development and promotion of small businesses.
- In the small miners' opinion, whether the government's National Strategy has created opportunities for them which in turn have minimized their weaknesses and barriers for growth thereby enhancing their strengths.
- Whether the small miners have had formal business training and do not require any further formal training in most business disciplines.
- Whether the small miners think the government has succeeded in the provision of necessary support for their business.
- As to whether the small miners' businesses have had any significant growth to the number of employees and their annual turnover since they started their operations.

### **9.3 Scope of the study**

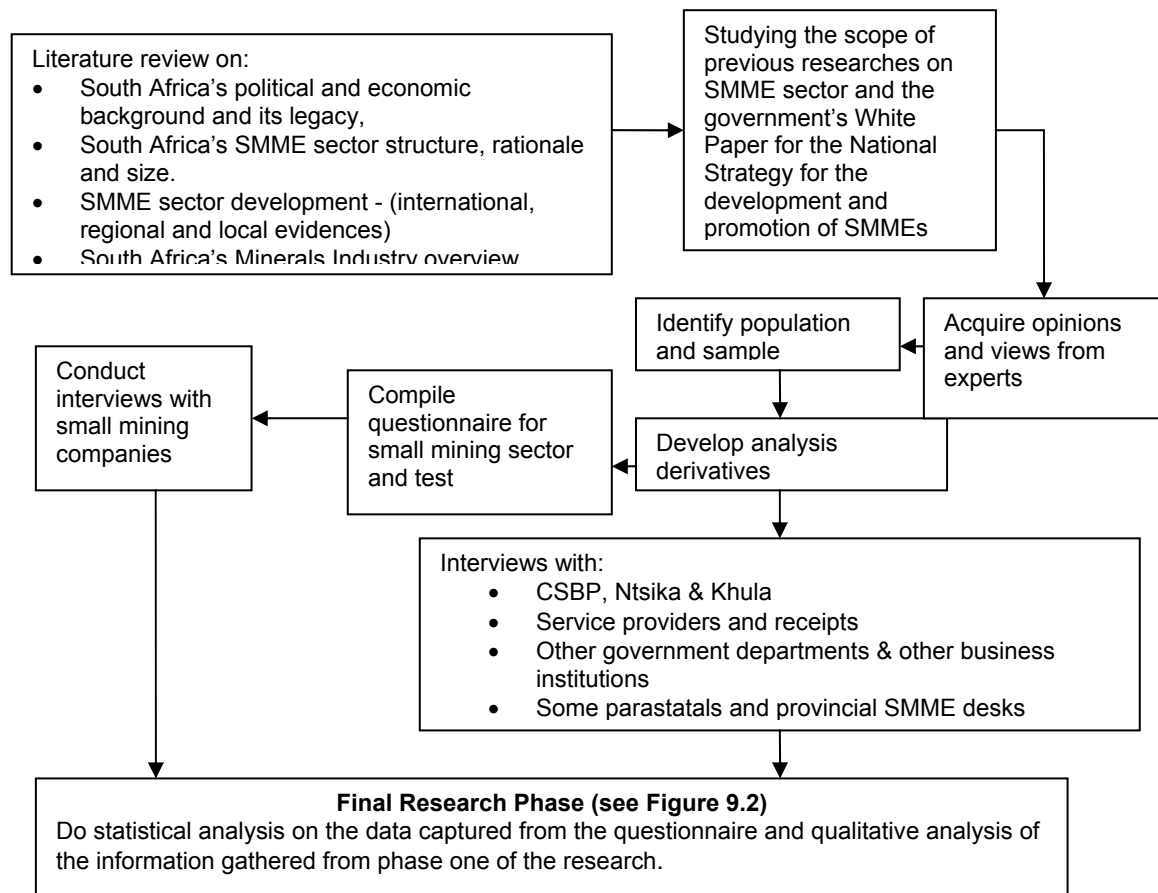
The research process covered a range of stages as illustrated in figure 9.1 and can be summarized as follows:

- First – A comprehensive overview of the South Africa's political and economic background and its legacy, in particular the impact that legacy have had on entrepreneurship in South Africa. This literature review was conducted to generate important theoretical constructs with regard to what the legacy of South Africa's political and economical background could have on entrepreneurship in the country. The South Africa's SMME sector review with regard to its structure, rationale and size was conducted in an effort to determine the current state of the of the SMME sector and challenges if any. International, regional and local experiences with regard to the development of the small business sector were also reviewed.

The South African mining industry's overview was conducted because phase two of the study focused to evaluate how the government's National Strategy has benefited the small mining companies. This was viewed to be a testing platform on the findings of phase one of the study.



**Figure 9.1: Scope of the research process**



The literature review of SMMEs in South Africa assisted in the study to give a broader overview of the SMME sector in this country. This was conducted to make comparisons internationally and regionally to assess how the issues of SMMEs are handled.

- Second – The review of some SMMEs studies (for example. Anna Kesper’s study (2000): *“Failing or not aiming to grow? Manufacturing SMMEs and their contribution to Employment growth in South Africa”*. The White Paper on the National Strategy for the development and promotion of small businesses in South Africa also helped to form the academic and theoretical base of the study.

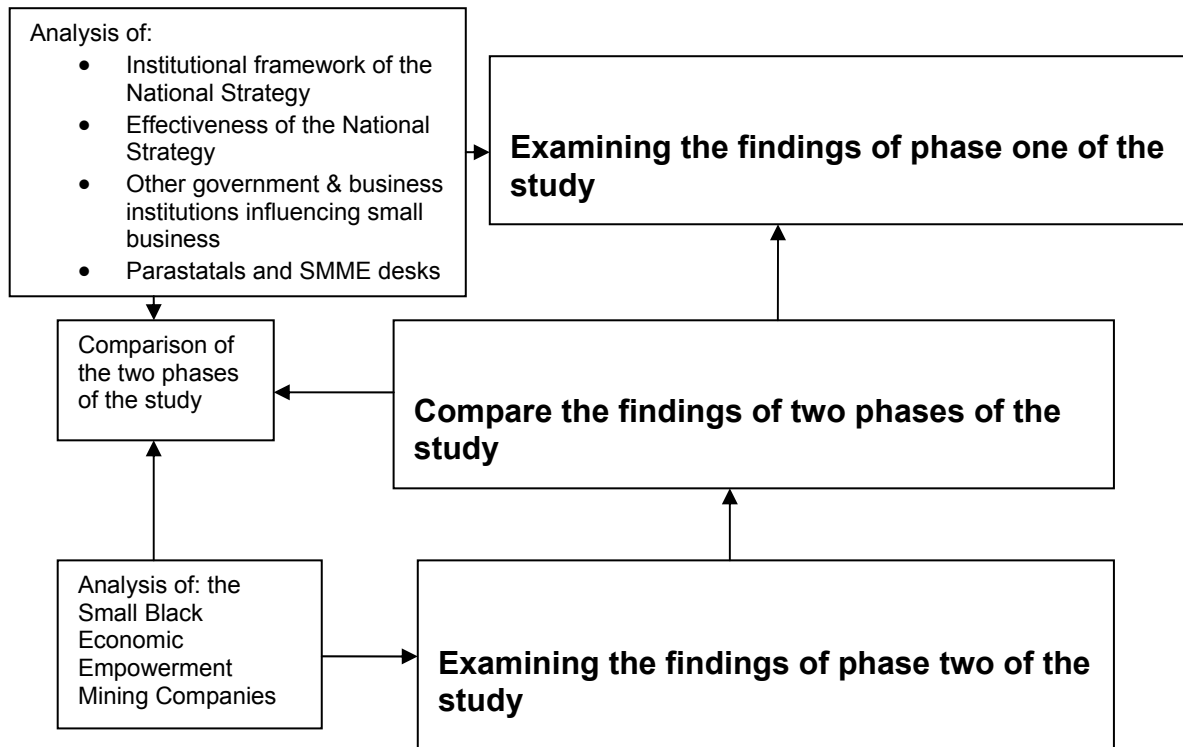
The previous research approaches and the White Paper on National Strategy for the development and promotion of small businesses in South

Africa were used to formulate constructs and statements to be included in the research instruments including the questionnaire.

- Third - The opinions of a number of experts in the field were sought (for example, Professor Peter Karungu of Wits University) to generate relevant ideas and focus on the research approach.
- Fourth – The small black economic empowerment companies who are involved in the small scale mining activities were selected as a sample population.
- Fifth – Theoretical constructs views and input from the White Paper and experts were formulated to create statements.
- Sixth – A structured questionnaire (that evaluates the importance of statements i.e. has the government's National Strategy created an enabling environment for the small black empowerment mining companies) was compiled and tested on some individuals who are involved in the small mining activities and had indicated their willingness to participate in the study.
- Seventh – One of the research instruments (phase one) was done through personal interviews. This focused on the government' National Strategy's institutional framework etc as illustrated in figure 9.1
- Finally – In the last phase a statistical analysis on the questionnaire responses of the small black economic empowerment companies and a qualitative analysis of the information gathered from the first phase was done.

The last step in figure 9.1 refers to a final research phase that is illustrated in figure 9.2.

**Figure 9.2: Final research framework followed in this study**



It is summarized that the two phases of the study could test the effectiveness of the government’s National Strategy and understand how it has benefited the SMME sector and whether it has indeed created an enabling environment for small enterprises. In the next section the research design of the two phases of the study will be discussed.

#### **9.4 Research methodology of the first phase of the study**

Phase one of the study started with the evaluation of the key objectives, the institutional framework created by the Strategy (i.e. CSBP, Ntsika and Khula) and the programmes created by these institutions. The White Paper on the National Strategy for the development and promotion of small business in South Africa formed the basis of this evaluation.

Secondly the study structured its investigation by focusing on the services providers by these organizations (i.e. Ntsika’s non-financial providers and Khula’s financial providers) and the perceptions of these organizations of how

these services are meeting the objectives of their mandates. In the case of the SMMEs that have received these services, the study sought to understand what types of assistance were received from the service providers, how that assistance benefited their businesses and what other type of assistance would be useful. Both providers and recipients were asked in detail their perceptions of successes and failures, and finally requested to make several recommendations on the ways to change and improve the government's National Strategy's approach to developing and promoting small businesses and create jobs.

A key component of this evaluation was an in-depth field investigation of the following four provinces: Gauteng, Limpopo, North-west and Mpumalanga of the perceived impacts of the government's National Strategy on the development and promotion of small businesses.

A complaint overheard during the study when conducting this analysis was that the headquarters organizations (namely the CSBP, Ntsika and Khula) have little familiarity with what is actually happening on the ground in the regions. According to these critics, their preoccupation with institutional and programmatic issues and their lack of realistic monitoring systems have created a major breach between them and their retail services providers and ultimately the recipients of the assistance. It was then decided in this analysis to seek assistance from the provincial desk officers where some providers and some recipients were identified where a structured process of meeting with them was done. This was mainly done through the face-to-face medium.

Thirdly the study focused on other departments other than those groups affiliated with the Department of Trade and Industry, as well as organizations outside government, specifically business organizations (for example NAFCO). The focus was on the view of these actors and their current and future roles, with regard to the government's National Strategy. The investigation was divided into four key components:

- 1) Awareness and understanding of the National Strategy and its institutions and programmes.
- 2) Assessment of the SMME support policies and programmes of these organizations.
- 3) Relationship between the programmes of these groups and those falling under the National Strategy.
- 4) These institutions' overall assessment of the strength and weaknesses of the National Strategy and their recommended changes.

Finally, the study focused on the role of parastatals and provincial SMME desks in the government's National Strategy.

#### **9.4.1 Objectives**

The main objective of the first phase was to evaluate the impact of the South Africa's National Strategy for the development and promotion of the small business sector. Main focus areas can be summarized as follows:

- Analysis of the institutional framework created within the government's National Strategy spearheaded by the Department of Trade and Industry.
- Analysis of the effectiveness of the National Strategy by interviewing both financial and non-financial and the recipients of those services i.e. SMMEs.
- Analysis of other government departments which are not affiliated to the institutional framework of the National Strategy and other business organizations who have their own development initiatives.

- A primary investigation of some parastatal organizations and some provincial SMME desks.

Against this background, the objectives of this study are twofold: the provision of a more comprehensive understanding of the structure of the National Strategy's framework and the challenges at stake if any in order to highlight them; and an explanation of its impact on small business thus far.

In detail the study will attempt to:

### **Revisit the rationale of the SMME policies**

While there is a general consensus on the importance of the SMMEs in South Africa, their economic rationale to date has not been well argued nor rigorously investigated. In particular, there is a lack of clarity on how the SMME sector fit within the industrial policy framework with regard to the objectives of government (RSA, 1995:10).

### **Propose some goals for the policy**

According to Rogerson (1997) optimizing the SMMEs' contribution to employment and economic development could be translated into the following broad objectives:

- Raising the rate of formation of new SMMEs with growth potential since these SMMEs will contribute to investment, employment and income generation.
- Encouraging new SMMEs arising from previously disadvantaged background, since these start-ups can contribute to redistribution of economic ownership and income, as well as a more participatory economy.

- Increasing the rate of graduation of micro-enterprises into the SME categories, since only then the legacy of apartheid will be overcome.
- Raising performance of existing SMMEs with a view to increasing both their competitiveness and their ability to fulfil a role in society.
- Decreasing the undesirable mortality rate of SMMEs that could be viable undertakings.

### **Main areas of intervention required**

Achieving these broad objectives typically requires policies, which focus on:

- Increasing the supply of the entrepreneurial talent and opening opportunities.
- Providing support to existing SMMEs – micro-enterprises in particular – at no higher than its social opportunity costs.
- Providing incentives for formalization of enterprises, including cultural bridging.
- Assisting SMMEs (where necessary) to use the resources as efficiently as possible.

Within the context of the overall macro-economic performance, the ideal policy package for SMME support in South Africa should allow this sector to maximise its contribution to the economy's overall performance in terms of growth, employment and income distribution (RSA, 1995). This is likely to involve making more resources available to the sector as well as raising the efficiency with which it uses the resources already available.

## **Evaluation of policies to date**

With policy initiatives already under way, the study aims to disentangle the reasons for SMME sector growth (low or high), and why it has or has not made a more significant contribution to employment and overall economic growth in South Africa. By doing so, the study aims to assist the government's National Strategy framework in reconsidering its policy as an integral part of its industrial development strategies.

### **9.4.2 Population and sample**

For conceptualization purposes all South African organizations (both public and private) that have programmes for the development of the SMME sector should be regarded as part of the population to be surveyed. For convenience purposes, though, it was decided that it would be too costly, time-consuming and impractically possible to conduct interviews with all organizations having programmes for SMME development (ranging from public, private, NGOs, parastatals, donors etc) and it was subsequently decided to interview the following:

#### **9.4.2.1 Center for Small Business Promotion**

In conjunction with the White Paper on National Strategy for the development and promotion of small business in South Africa (Government Gazette, Vol. 357, No. 16317: Notice No. 213 of 1995) and the director of the CSBP directorate in Pretoria the evaluations were conducted.

Principal areas of evaluation were:

- Analysis of Mission and Objective of the Center for Small Business Promotion.
- Analysis of the Structure and Activities of the CSBP.



- Performance activities.

#### **9.4.2.2 Ntsika**

In conjunction with the White Paper on National Strategy for the development and promotion of small business in South Africa and the Chief Executive and some staff members of Ntsika the evaluation was conducted. The evaluation focused on the following areas:

- Analysis of Ntsika's Mission and Objectives.
- Analysis of the Institutional Framework of Ntsika.
- Analysis of Ntsika's success in meeting its programme objectives.
- Analysis of Ntsika's Monitoring and Evaluation process.

#### **9.4.2.3 Khula**

In conjunction with the White Paper on National Strategy for the development and promotion of small business in South Africa and the Chief Executive and some staff members of Khula the evaluation was conducted. The evaluation focused on the following areas:

- Analysis of Khula's Missions and Objectives.
- Analysis of Khula's Programmes and their Performance.

#### **9.4.2.4 Financial service providers**

In each of the provinces targeted for the study three RFIs of Khula were interviewed. The evaluation focused on the following principal area:

- Size of loans (micro, small, medium).
- Assistance that borrowers received from these groups to develop business plans, identify market opportunities, and prepare loan applications.
- How borrowed funds were ultimately used.
- Level of communication with Khula.
- Level of interaction with Ntsika or non-financial service providers.
- Who funds the service provider.
- Whether or not Ntsika's service providers provide mentoring, monitoring and evaluation, or aftercare.

#### **9.4.2.5 Non-financial service providers**

In each of the provinces targeted for the study three of Ntsika's non-financial providers were interviewed. The evaluation focused on the following principal area:

- The level of coordination and communication with Ntsika.
- Linkages with other programmes, i.e. financial providers.
- Monitoring and evaluation of client.
- Distribution of assistance.
- Training conducted for the service provider management.

- Tracking results of assistance.
- Sectoral approach.

#### **9.4.2.6 Small, medium and micro enterprises**

In each of the provinces targeted for the study three Small medium and micro enterprises (SMMEs) were interviewed. The evaluation focused on the following principal area:

- Types of firms receiving assistance.
- Assistance they are receiving.
- Processes for obtaining assistance.
- Use of assistance.
- Impact the assistance has had on their business.
- Their additional needs.

#### **9.4.2.7 Other institutions influencing small business development**

In conducting the study the evaluation targeted the following:

- National African Federated Chamber of Commerce (NAFCOC) and South African Chamber of Business (SACOB) as these have closer interaction with small enterprises.
- Four provincial finance ministries, one in each of the targeted provinces were interviewed. These ministries co-ordinate the implementation of their provincial financial strategy (refer to appendix five).

- Four ministries of provincial developments, one in each province, were targeted. Public Works departments as coordinators and the implementers of provincial and local infrastructure were targeted (refer to appendix six).

#### **9.4.2.8 Parastatal organizations**

In conducting the study more than fifty percent of the parastatal institutions were interviewed. The study focused on how these institutions have participated in the government's National Strategy and how their involvement can be intensified in future.

#### **9.4.2.9 Provincial SMME desks**

In each of the four provinces where the study was conducted the provincial SMM desks were interviewed.

The respondents in the first phase of the sample were deemed to be adequate to serve as the population for this study. The respondents would be representative of senior decision making individuals of top management of the organizations. It was assumed that these individuals would be a genuine representation of the population and that their opinions, views and practices would be a fair reflection of their opinions.

#### **9.4.3 Information required**

The evaluation endeavoured to capture the opinions and perceptions of the respondents on the importance of the government's National Strategy's objectives, the importance of leveraging different marketing communication variables of the National Strategy and the importance of its current level of specific developmental and promotional initiatives.

#### **9.4.4 Sampling**

The exploratory nature of this study and the decision to conduct a census in the entire population led to the assumption that extensive statistical analysis would not be possible. The use of a convenience census survey can be perceived as a severe limitation because of the ostensible lack of reliability.

Those people who were interviewed would be regarded as a sample as referred to in the discussion on the formulation of research hypotheses and propositions.

The evaluation of the institutions created under the institutional framework of the government's National Strategy entailed interviewing the entire population as they are only three institutions ( i.e. Centre for Small Business Promotion, Ntsika and Khula).

Evaluation of the effectiveness of the government's National Strategy entailed interviewing three of Ntsika's non-financial service providers, three of Khula's financial service providers and three financial service recipients and three non-financial recipients in each of the targeted provinces i.e. Gauteng, Limpopo, North West and Mpumalanga.

The evaluation of governments department not incorporated in the institutional framework of the National Strategy entailed interviewing of the provincial economic department and provincial Public Works department in the targeted provinces i.e. Gauteng, Limpopo, North West and Mpumalanga. Evaluation of those business organizations outside government but having their own SMME development initiatives entailed interviews with the National African Federated Chamber of Commerce and South African Chamber of Business only.

The evaluation with the parastatals entailed interviewing the eight parastatal organizations as shown in appendix seven i.e. South African Bureau of Standards, Land Bank, Development Bank of Southern Africa, Transnet, Telkom, Eskom, Sasol and Iscor. Evaluation with regard to the provincial

SMME desks was only done with the four provincial SMME desks in the four provinces the study targeted.

### **9.5 Research methodology of the second phase of the study**

Phase two of the study did an evaluation in the small black economic empowerment mining companies through a structured questionnaire. The structured questionnaire was formulated to evaluate issues which laid the foundations of testing the following hypotheses:

- Small black economic empowerment mine owners know of some programmes including the government's National Strategy for the development and promotion of Small Business.
- Small black economic empowerment mine owners know how the government's National Strategy go about its business, how to get access to it and they have had contact with the institutions formulated within its framework.
- Small black economic empowerment mine owners have been very satisfied with the way the government has implemented the National Strategy.
- The National Strategy has created opportunities for the small mining sector which in turn has minimized their weaknesses and barriers for growth in the mining sector for small black economic empowerment miners.
- The small black economic empowerment miners have had formal business training and do not require formal training in most business disciplines.
- The small black economic empowerment miners think the government has succeeded in provision of necessary support for their business.

- Most small miners opened their businesses after 1994 and there has not been any significant growth in their businesses with regard to the number of employees and their annual turnover.

### **9.5.1 Objectives**

The main objectives of the second phase was to evaluate the impact the government's South Africa's National Strategy for the development and promotion of the small business sector has had so far on small-scale mining companies. The findings of the second phase were intended to assess the hypotheses of the second phase and compare the findings of phase one as to whether similarities exist.

### **9.5.2 Population and sample**

For conceptualization purposes all small black economic empowerment companies should be regarded as part of the population to be surveyed (forty-four in number). For convenience purposes though, it was decided that it would be too costly, time-consuming and impractical to conduct interviews with all small miners as per the database provided by the Department of Minerals and Energy, as a result, interviewing all small-scale miners as per DME's database would virtually be very impractical.

It was subsequently decided to interview 22 scale-miners only as choosing them mainly depended on their availability and the willingness to participate in the study.

### **9.5.3 Information required**

The information required is best illustrated in the seven propositions of the second phase and can be summarized as follows:

- Whether the small black economic company owners know of any programs including the government's National Strategy for the development and promotion of Small Business.
- Whether the small black economic empowerment mining owners know how the government's National Strategy go about its business, how it can be accessed and whether they have had any contact with the institutions created under the National Strategy.
- Whether small black economic mine owners have been very satisfied with the way the government has implemented the National Strategy.
- Whether the National Strategy has created opportunities for the small black miners which in turn have minimized their weaknesses and barriers for growth, thereby enhancing their strengths.
- Whether the small black mine owners have had any formal business training and if they also require any formal training with regard to their businesses.
- Whether the small black miners think the government has succeeded in the provision of necessary support for their businesses.
- Whether there has been any significant growth to their businesses since they started to operate as a result of the government's National Strategy's support initiatives.

## **9.6 Conclusion**

In this chapter the research methodology was discussed, where the scope of the study was emphasized.



**In the following chapter** the research results will be discussed and qualitatively analyzed.