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An exploration of effectiveness of enterprise development initiatives, in the context  
of broad-based black economic empowerment, within the McCarthy franchised  
retail motor dealers in South Africa

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**A research proposal submitted to the Gordon Institute of Business Science,  
University of Pretoria, in partial fulfilment of the requirements for the degree  
of Master of Business Administration**

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Based Black Economic Empowerment, Enterprise

Development is one of the least implemented elements of the scorecard. (The DTI strategy document, 2007). This study endeavoured to establish, specifically, the effectiveness of enterprise development initiatives within the McCarthy Ltd franchised dealer network and also to understand their low occurrence within the group.

Effective implementation of enterprise development initiatives within McCarthy Ltd franchised dealer network would also mean compliance to the BBBEE codes of good practice. The study found that there was a lot of optimism among dealer principals to introduce and manage the concept of enterprise development within the group. A convenience sample of dealer principals from within the group countrywide was taken as well as that of beneficiary enterprises initiatives operating countrywide as well for this study.

The actual occurrence of enterprise development within the McCarthy Ltd franchised dealer network however was not encouraging, at least based on the actual reported initiatives in existence. The study found that there was a significant gap between the requirements of start-up or early stage enterprises and requirements of maturing to mature businesses. It also indicated that dealer principals were not necessarily always adequately equipped to deal with the requirements of beneficiary enterprise requirements and hence the low occurrence or lack of introduction of enterprise development initiatives on a much wider scale.

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I declare that this research is my own work. It is submitted in partial fulfillment 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 authorization and consent to carry out this research.

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

I would like to acknowledge my beautiful wife, Tsholofelo. Thank you for being a supportive wife throughout the MBA process. You gave up a lot to keep the family intact and I appreciate you and feel more indebted to you for that each day.

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are used in this research dissertation

|       |   |  |
|-------|---|--|
| BEE   | - | Black Economic Empowerment             |
| BBBEE | - | Broad-Based Black Economic Empowerment |
| DTI   | - | Department of Trade and Industry       |
| DP    | - | Dealer Principal                       |
| ED    | - | Enterprise Development                 |
| GDP   | - | Gross Domestic Product                 |
| HDI   | - | Historically Disadvantaged Individuals |
| MIDP  | - | Minority Development Programmes        |
| USA   | - | United States of America               |

## Transition to Research Problem

### 1.1. Introduction

South Africa faces a challenge in that it emerges from an era of racial segregation which resulted in the majority black population having inadequate and generally inappropriate skills required to participate in the economy, as well as, lack of access to the country's productive resources. As a result, there is a rather high unemployment rate within black South Africans.

As part of an effort to redress this unfortunate situation, the government legislated the Black Economic Empowerment (BEE) (later to be expanded to Broad-Based Black Economic Empowerment) to deal with this situation. The earlier, narrow BEE legislation has been criticised for providing opportunities for a limited few historically disadvantaged individuals as opposed to its original intention of creating empowerment to the African majority to participate in mainstream economic activity. With this realisation, there had to be a revisit of the legislation to determine how best to correct this unintended consequence. (The DTI, Strategy document 2006)

The overall intention of the black economic empowerment act is to promote the achievement of the constitutional right to equality as well as to increase the participation of the majority of south Africans in the economy and to promote a higher economic growth rate. (The DTI, 2006)

While it is generally known that the economy has been growing at a steady rate since the dawn of democracy in 1994, this realised growth has largely been jobless, that is, it has not had the effect of significantly being labour absorbing.

In his state of the nation address in 2003, then President of the Republic of South Africa, Thabo Mbeki stated the government will lay greatest stress on black economic empowerment that is associated with growth, development and enterprise development and not merely redistribution of existing wealth.

The research problem is that there is a low occurrence of Enterprise Development within the McCarthy Ltd franchised retail motor dealerships, and where there is, there is generally poor sustainability. This poor showing impacts on McCarthy Ltd's ability to comply with the BBBEE codes of good practice. The framework that currently exists seems not to be conducive for new enterprises to be created or developed.

### **1.3 Background**

Enterprise development, in the context of broad based black economic empowerment, has been identified as one of the key initiatives that can help increase or help fast track participation of the African majority in the mainstream economy. Generally small and medium enterprises have the capacity to create or generate more employment.

South Africa emerged from an era of racial segregation where non-whites were seriously disadvantaged by being excluded from participating in social and economic opportunities. The deliberate and legislated actions of the former nationalist government to use race to a large extent to control access to South Africa's productive resources and access to skills have to a large extent given rise to an ill or under prepared African population for participating in the mainstream economy.

The vast majority of South Africans remain excluded from ownership of productive assets and the possession of advanced skills and as a result the economy performs below its full potential due to the low level of income earned and generated by the majority African population. (The DTI baseline report, 2007). The continued existence of this unfortunate situation may have dire consequences for the stability of the country with detrimental effects to the prosperity of the economy in going forward.

Broad Based Black Economic Empowerment (BBBEE) was introduced in 2004 as part of a solution to this deficiency described above. All the elements of the scorecard, that is, Ownership, Management Control, Employment Equity, Skills Development, Enterprise Development, Preferential Procurement and Corporate Social Investment were given different weightings as shown in Table 1. This BBBEE model has been credited with differing levels of success while there is still

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Table 1 - BBBEE pillars and weightings

| SCORECARD ELEMENT                      | WEIGHTING  | TARGETS            | SCORE        |       |
|--|------------|--------------------|--------------|-------|
| ELEMENT 1 - OWNERSHIP                  | 20         | 25% + 1            | 12.06        | 60.3% |
| ELEMENT 2 - MANAGEMENT CONTROL         | 10         | 40% to 50%         | 3.24         | 32.4% |
| ELEMENT 3 - EMPLOYMENT EQUITY          | 15         | 43% to 80%         | 5.50         | 36.7% |
| ELEMENT 4 - SKILLS DEVELOPMENT         | 15         | 3% of payroll      | 6.57         | 43.8% |
| ELEMENT 5 - PREFERENTIAL PROCUREMENT   | 20         | 70%                | 3.34         | 16.7% |
| ELEMENT 6 - ENTERPRISE DEVELOPMENT     | 15         | 0.375% of Turnover | 1.83         | 12.2% |
| ELEMENT 7 - SOCIO-ECONOMIC DEVELOPMENT | 5          | 0.125% of Turnover | 1.35         | 27.0% |
| <b>Total BBBEE Points</b>              | <b>100</b> |                    | <b>33.89</b> |       |

Source: The DTI, 2007

#### 1.4. The Automotive Industry

The motor industry has been hailed as one of the most important industries in the economy especially in terms of its capacity for job creation. Its continued growth is therefore very pivotal to South Africa economic growth and unemployment absorption.

The motor retail industry, in particular, is not an industry that is known to fare well in terms of compliance to any of the seven pillars of the BBBEE being regularly referred to a white boys club by many industry analysts and commentators.

International Association of Automobile Manufacturers of South Africa as well as the Retail Motor Industry has committees that seek to ensure the realisation of compliance of this industry in terms of the elements of BBEE scorecard.

### 1.5. Relevance of topic to South Africa

South Africa being one of the countries referred to as a country with the highest disparities in terms of income levels, some formal intervention by state was inevitable. This would avoid a potential for national unrest and an unstable country that is unable to attract foreign direct investment among other important factors necessary to help fast track economic growth and create employment.

Most of the research on the topic of BEE looks at single elements . ownership changes and employment equity being the most common. Unlike initially when BEE was promulgated where business was sceptical about the intention and benefits of the regulation, this situation seems to be changing in that business now tends to see BBEE as a strategic imperative that is necessary for doing business in the future. (Andrews : 2008)

### 1.6. Purpose

The purpose of the research is to understand the low occurrence of Enterprise development initiatives McCarthy Ltd franchised dealer operations. Armed with this understanding, a framework will be proposed within which better success can be

Of all the pillars of BBBEE, Enterprise Development seems to be the most challenging in terms of implementation due to the capacity and time that needs to be allocated to provide coaching, mentoring, training and/or consulting and other managerial services that are expected in terms of assisting the identified enterprises. This fact is also reflected in Department of Trade and Industry national scorecard in Table 1. (The DTI baseline report, 2007)

Secondly, according to the Department of Trade and Industry strategy for BBBEE, unlike corporate social investment, enterprise development is a fairly new concept and specific to the BBBEE. For this reason, the lack of documentation with examples of what constitutes enterprise development has made enterprise development one of the least implemented elements of the scorecard. (The DTI strategy document, 2007)

The rest of the six pillars apart from enterprise development essentially have their roots in existing enterprise and are not necessarily adding to productive capacity of the economy.

### **1.7. Research scope**

The scope of the research is limited to franchised retail motor dealers within McCarthy Ltd. in South Africa. These dealers will be fully franchised dealers



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nts and not only any part thereof.

## 2.1. Literature Review introduction

The literature review sought to evaluate and critically assess any prior research that was related to this research topic of enterprise development in BBBEE context. It also endeavored to give some composure as to how the chosen theory was utilised to unpack and analyse the current topic.

The research problem centered on the effectiveness of enterprise development in BBBEE context within McCarthy Ltd. As shown in Table 1, BBBEE is supported by seven pillars of which enterprise development is the focus of attention for this research dissertation. As already mentioned in the previous chapter 1, the enterprise development pillar was chosen in particular because of its potential to create new wealth as opposed to redistributing existing wealth.

In particular, this literature review followed theoretical topics which endeavored to unpack enterprise development models, start-up and early stage enterprise growth models and the challenges encountered by such enterprises. As BBBEE is not a product of free market economics but a state intervention to fast-track empowerment of historically disadvantaged individuals into the economy. Questions around true form entrepreneurship and sustainability of such empowerment initiatives arise, with particular reference to education and literacy profile of HDIs. Lastly, international attempts at HDI empowerment were drawn for comparison purposes.

and Advanced Learners dictionary (2006) describes effectiveness as ability to produce the result that is wanted or intended or to produce a successful result.

### 2.3. Enterprise Development: Towards an explanation

#### Enterprise development:

... the investment of time and capital in creating, expanding, or improving (for excellence) the operations of a business or other endeavour that contributes to the vitality of a local economy. Enterprise development is the type of business development that includes all activities to expand, enlarge, improve, locate, or start up an enterprise. (<http://www.sitelocationassistance.com/free.htm>)

Enterprise development by its very nature, as per the explanation above, suggests that there is some positive development that is envisaged and that development will result in an improvement to the operations of the enterprise. This development, however, was discussed in the context of an enterprise to be developed within the framework of BBBEE.

#### 2.4.1 Model for planned change and organisational development

Organisation development is directed at bringing about planned change to increase an organisation's effectiveness and capability to change itself. Organisations can use planned change to solve problems, to learn from experience, to reframe shared perceptions, to adapt to external environmental changes to improve performance and to influence future changes.+(Cummins and Worley, 2005).

This model is equally applicable for companies wanting to develop small enterprises solely for that purpose of engaging with legislation on BBBEE or as suppliers of strategic inputs.

The model for planned change and organisational development is characterised by four distinct phases which are listed as:-

- Entering and Contracting
- Diagnosing
- Planning and Implementing change
- Evaluating and institutionalising change

etailed and involves some

cess through successfully. Hugo, Badenhorst-Weiss, van Dijen and van Rooyen (2006) mention that the costs incurred for the buyer organisation, such as tracking, evaluating and developing small suppliers are high in terms of time spend visiting, telephonic contacts, handling customer complaints, termed transaction costs, are usually high.

It was argued therefore that, some mentor companies may not necessarily always have the capacity to undertake this scope of work, with a full commitment, for a company they wish to develop purely from a resource and capacity point of view even when the intention is there.

This was more so if a potential mentor company had to focus on its own running as well. Enterprise development can take many forms; however, it would appear that the more sustainable form was that of companies getting involved and spending time with these enterprises as more often than not, it was the management capabilities that have to be improved so as not to result in cash flow management issues, which is usually the most problematic.

#### 2.4.2. Business Incubation . A model of Enterprise Development

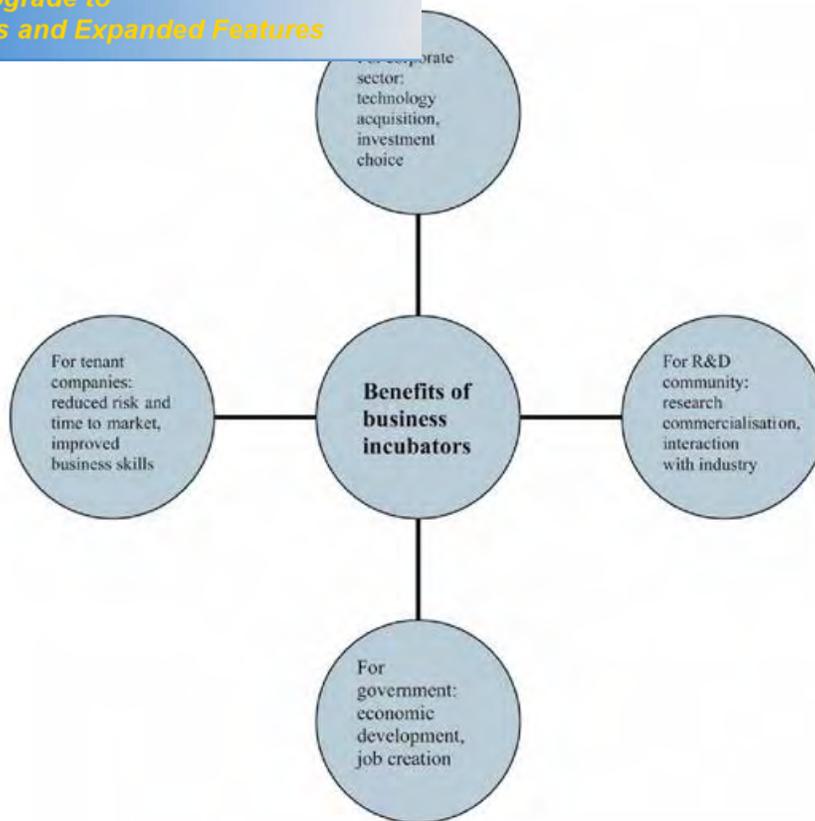
Ndabeni (2008) refers to business incubation as a dynamic process of business enterprise development designed to accelerate growth and success of small firms through an array of business support resources and services. He also adds that nurturing start-up and early stage SMMEs at managed workplaces to provide local,

lex in both structure and execution.

Raz and Kahane (2005) describe business incubation as a concept aimed at assisting the growth of entrepreneurial firms through a dedicated facility providing subsidized space, consultation and other relevant aids. Ndabeni (2008) further states that there is more to incubation than cutting expenses and that networking between enterprise owners is necessary to help businesses owners learn and support each other to stay alive and prosper.

The left circle of the figure 1 below in particular, talks to the tenant companies/incubatees/beneficiary enterprises and that to reduce their risk of failure and time to market as well as improved business skills, there should be a supportive framework captured in the form of a formal business incubator or otherwise one espousing similar characteristics.

Business incubators



Source: Development Southern Africa, Sep2008, Vol. 25 Issue 3

Atherton and Hannon (2006) state that the health of the economy requires birth of new enterprises in substantial numbers and that incubation is seen as a mechanism that enhances business development, particularly for start-up businesses.

Atherton *et al* (2006) further add that business start-up and support for new venture creation is central to the strategy and activities of government departments or companies that engage in enterprise development and support. They further add that according to the Kellogg Fellows leadership alliance (2003), in South Africa

enterprise. There is some

development projects within McCarthy Ltd franchised

Hannon (2004) mentions that a Darwinian viewpoint in common interpretation, suggests that the fittest or strongest of a species survives. However, Darwin's work suggests that it is not the strongest of the species that survives but those best able to respond and adapt to their environment as quick as the environmental changes. Slower adapters are less likely to survive than quicker adapters.

Hannon (2004) writes that the purpose of business incubators seems to provide the opportunity for accelerating the growth and development of an enterprise more so than could be achieved in the external natural environment. He further asserts that incubatees in the incubator are protected from harmful external influences and the role of the expert monitor is to ensure that there are appropriate filters and control in place to avoid any unwanted contamination.

Lastly, Hannon (2004) further makes a comparison between human (infant) incubators and business incubators and mentions that human incubators are generally used for protecting the survival of very weak human life while on the contrary, business incubators highly select their entrants such that only the stronger applicants are invited to become incubatees and that strong selection and exit policies would ensure appropriate matches between beneficiaries capabilities and potential and the resource and experience base and management capability of the incubator environment.

in enterprise development or incubation mentioned above, it would appear that McCarthy largely identifies opportunities within company where enterprise development initiatives can be made and based on where this opportunity is identified. Those persons who were already working in the identified opportunity would then be given the opportunity to become beneficiaries of enterprise development as described in the BBBEE code of good practice.

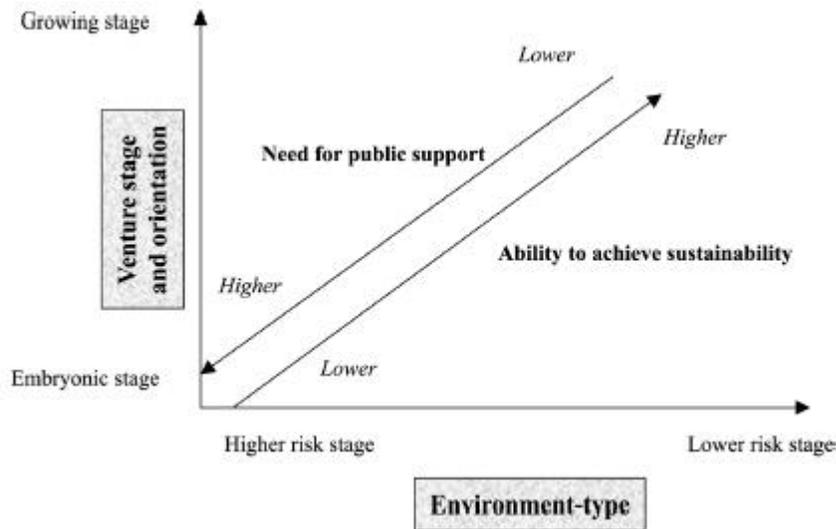
This would be done without any empirical testing of capabilities of such incumbents and therefore no reasonably established prospect of success for such an enterprise. This was because such interventions are largely due to the need to comply with the BBBEE legislation.

Penrose, (1959) as quoted in Watts, Cope and Hulme (1998) mention that a basic problem exists in understanding growth, in that larger, developed firms are so different from small firms that in many ways it is hard to see that they are the same genus. The dealer principals who need to be the experience base and management capability for support of enterprise development initiatives are well endowed with corporate experience but may not necessarily have started an enterprise from the beginning or have the experience of working with a start-up or early stage enterprise. This therefore may limit their appreciation of challenges experienced by entrepreneurs or persons placed in such a situation in start-ups as their challenges are different from taking over and running an enterprise that has reached or is reaching maturity.

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development and do with much less support as they grow from one stage to the next. What this graph also highlights is that new enterprises stand a much better chance of being sustainable once they have progressed to higher stages of development.

**Figure 2 – Likely sustainability success against environment type**



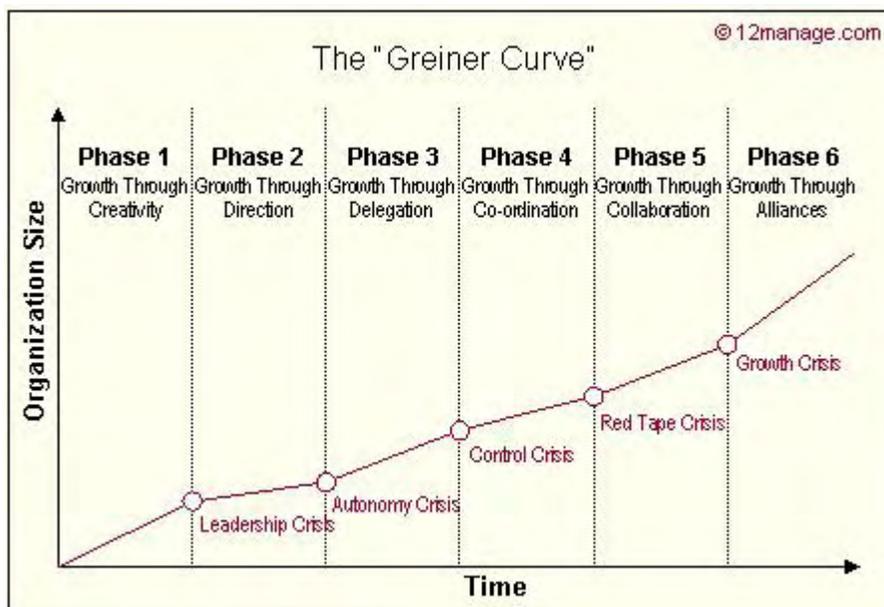
**Source: Qualitative Market Research: An International Journal 2004**

To better understand these growth stages referred to above, attention is turned to Larry Greiner's life-cycle model.

of Larry Greiner suggests that enterprises pass

through a number of phases in their growth over time. These specific phases theoretically characterise challenges that generally afflict enterprises in those early growth stages. Franchised dealerships by their very nature have an established structure that includes profit centres, i.e. new cars, used cars, parts and service, financial services departments and a financial administration department.

Figure 3 – The Greiner curve



Source: [http://www.12manage.com/methods\\_greiner.html](http://www.12manage.com/methods_greiner.html)

Van Assen, van den Berg & Pietersma (2009) explain these growth phases in Figure 3 in this way. Phase 1 relates to the stage where the emphasis is on creating both a product and market and this stage the entrepreneurial founders are in charge and their passion is the major driving force. As the business grows

In phase two, van Assen *et al* (2009) go on to elaborate that stability brought about by a business administrator may be visible and that organizational structures may also begin to give composure and budgets, work standards, incentives e.t.c are very likely introduced. With growth, the organization becomes more complex and delegation is necessary as the work load on all members increases.

Phase three as per Van Assen *et at.* (2009) deals with the subject of delegation which evolves from the successful application of a decentralized organizational structure which exhibits the operational and market level responsibility, profit centers and financial incentives, decision making based on periodic reviews. While prosperity would usually be realized at this phase once again, top management would attempt to increase their hold on the business as they feel hands-off and co-ordination is usually encouraged at this point as opposed to control.

While the rest of the phases are left out for the purposes of this research, inclusion of the Greiner model serves to illustrate the complexities of enterprise growth. Not many of these established enterprises within McCarthy, if at all, even get to phase three.

generic scorecard with the relevant weightings per

item. The rest are merely of interest only as the main item of discussion is the Enterprise development element of the scorecard.

Supplier/enterprise development is a subject that pre-dates enterprise development that is explained in the context of the newly developed BBBEE legislation. In this context, enterprise development, being one of the seven pillars of BBBEE, is legislated as a tool to assist redress the imbalances of the past created by a deliberate act of the previous regime to marginalize and deprive African majority of accessing economic opportunities.

Ponte, Roberts and van Sittert (2007) highlighted that from the year 2000 onwards, the second phase of BEE took shape and was coined the BBBEE (Broad based black economic empowerment). Ponte *et al* (2007) indicate that under this revised framework, there were more criteria upon which the empowerment credentials of businesses in South Africa were assessed and these were ownership and control, management representation, employment equity, skills development, preferential procurement, enterprise development and corporate social investment.

## 2.6. BBBEE : Local and international similarities

Ponte *et al*, (2007) as well argue that broad based black economic empowerment does not enjoy wide publicity except in the context of South Africa with only a

es of America have similar government-mandated social programmes, called minority supplier development programmes which are necessary to remedy some of the social and economic ills minority groups faced in the past as a result of discrimination and segregation and also to ensure social stability which is a pre-requisite for business and investor confidence.

The similarity, however, is only in the elements of supplier development and preferential procurement specifically between the Unites States programme and the local one. The government used its power as a large buyer to encourage private companies to use enterprises belonging to previously disadvantaged groups as suppliers.

Ponte *et al* (2007) indicate that the policies of post apartheid South Africa have historical precedents locally, as well, and that these provided the ANC led government with a home grown model of state manipulation of the economy to benefit a particular social group. They further maintain that the relevance of Afrikaner nationalism for the discussion of BEE is that economic advancement of Afrikaners rested on interventionist economic policies, co-ordinated with strategic use of state owned enterprises (SOE) and the leverage they could exert on private business.

Ponte *et al* (2007) make a point that the strategic use of different branches of the state was different to the current approach to Black Economic Empowerment,

## 2.7. Arguments for and against Enterprise Development

Edmondson *et al* (2008) go on to summarise the arguments *for* and *against* this type of enterprise development. Arguments *for* enterprise development are that:

- Enterprise development programmes provide opportunities for previously marginalized individuals to fully participate in the economy
- These programmes enable companies to prepare to take advantage of the anticipated change in the racial and ethnic makeup of the population
- The programmes help to level the playing field created by government segregationist policies.

On the other hand critics argue that:

- identifying a qualified business enterprise to serve as a subcontractor in some industries is difficult, if not impossible
- These types of business enterprises are successful due to programmes like affirmative action and not business expertise.
- Only a handful of these business enterprises benefit from enterprise development programmes

that three key policy lessons can be learned from the twentieth century effort to combat White poverty and applied to black poverty as it exists in South Africa today: an improvement in the quality of education, an improvement in the property right ownership of the poor, and policies to eliminate the constraints on economic growth, by investment, for example, in infrastructure and new technological industries.

In an attempt to compare and contrast the effect education had on the ability to alleviate white poverty in the early twentieth century, Lewis (1973), as quoted in Fourie (2007), indicates that education was seen as an irrelevant luxury to the rural population, as they saw it irrelevant to their everyday struggles. The conservative lifestyles and views of education limited the development of skills in industry.

## **2.8. Retail Motor Industry**

National Association of Automobile Manufacturers of South Africa (Naamsa) acknowledges that the motor industry is challenged in terms of BBBEE compliance. It is still largely an industry dominated by white males in terms of participation, management and ownership.

In the motor retail industry space, there are the smaller entrepreneurial type persons or historically disadvantaged individuals that are given an opportunity to own or operate the staff canteens, the customer bistros, owner driver schemes and

direct competition with the core businesses of the

Table 2 below shows current Enterprise Development (ED) projects running within the company.

**Table 2 – McCarthy enterprise development projects**

| MCCARTHY ENTERPRISE DEVELOPMENT PROJECTS |                          |   |                                |
|--|--------------------------|---|--------------------------------|
| No.                                      | Business Unit            | ED Initiative- Name of Co.                  | Type of ED Initiative          |
| 1  | Mitsubishi Midrand       | Boiterole Trading                           | Canteen                        |
| 2  | Toyota Midrand           | Ks Take Aways                               | Canteen                        |
| 3  | Toyota Woodmead          | Emma's Kitchen                              | Canteen                        |
| 4  | Nissan Boksburg          | J & D Auto                                  | Wash Bay                       |
| 5  | Toyota KZN               | Afrisigns                                   | Car Licencing and Registration |
| 6  | Toyota KZN               | Brothers Car Movers                         | Car Moving                     |
| 7  | Group- GP                | Stars of Africa                             | Informal Mechanics             |
| 8  | McCarthy Heavy Equipment | Kagone Spray Painting                       | Spray Painting                 |
| 9  | Call a Car Pretoria      | J & N Registrations and Registration        | Car Licencing and Registration |
|  |                          | Owner Driver Programme                      |                                |
| 10                                       | Toyota M1 City Cape Town | Vanessa 's Kitchen                          | Canteen                        |
| 11                                       |                          | Mdunge Investment t/a Auto Shuttle Services | Car Moving                     |

**SOURCE: MCCARTHY BBEE OFFICE**

In order to explain the challenges that present themselves in this section, we need to consider whether these start-ups are true entrepreneurial ventures or mere small businesses created for compliance to BBBEE codes of good practice.

## es versus small businesses

Small business owners are individuals who establish and manage their businesses for the principal purpose of furthering personal goals and ensuring security. (Watson 2001:50 as quoted in Nieman, Hough and Niewenhuizen : 2003). A small business, therefore, is any business that is independently owned and operated, but is not dominant in its field and does not engage any new marketing or innovative practices (Cartland et al. 1984: 358 as quoted in Nieman et al, 2003). Looking at the table 2, the majority of the enterprises development projects fall within the definition or scope of a small business.

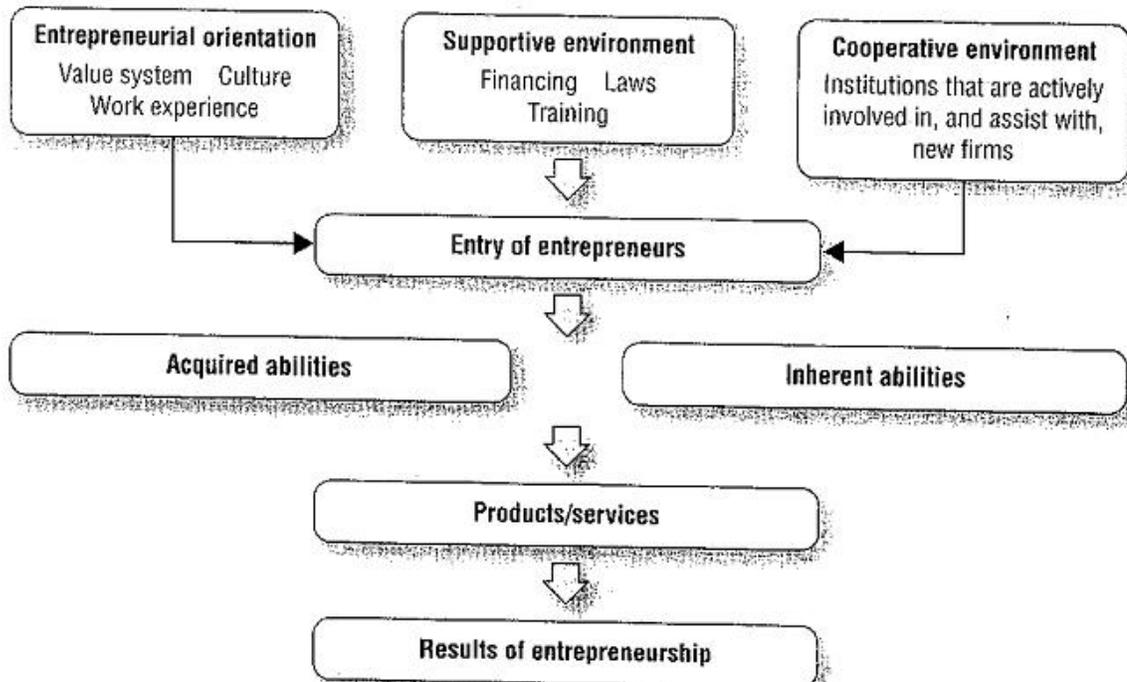
On the other hand, Wickham (2001) as quoted in Nieman *et al*, (2003) states, Entrepreneurial ventures are businesses where the principal objectives are profitability and growth. Three characteristics distinguish the entrepreneurial venture from the small business, Innovation, Potential for growth and strategic objectives (in relation to market targets, market development, market share and market position).

Nieman *et al*, (2003) indicate that because of the legacy of apartheid, most historically disadvantaged individuals, have been subjected to an inferior education and training system that prepared them to become employees as opposed to be job providers. This may therefore suggest that a lot of these people may not have

ng these small enterprises.

To explore these attributes, the entrepreneurial model of Nieman *et al.* (2003) will be used to give a framework. In particular, focus will be on the entrepreneurial orientation which deals with the individual and is fostered by a unique blend of factors such as culture, family, role models, education and work experience.

**Figure 4 – Entrepreneurship model**



**Source: Entrepreneurship, A South African perspective**

Driver *et al.* (2001) as quoted in Nieman *et al* (2008) mention that successful entrepreneurship has been directly linked to education. In particular, he mentions that tertiary education can provide valuable additional entrepreneurial capacity.

in the local cultures and with people prepared by the education system to become employees, entrepreneurship is not necessarily celebrated and afforded the necessary status. As there are not many families in South Africa that have or have had businesses, there are not enough roles models that can give people the confidence to want to start an enterprise in the historically disadvantaged communities.

In fact, according to Fiske and Ladd (2004) as quoted in Fourie (2007), four aspects of apartheid were particularly pertinent for Black education, that is, i) the residential segregation measures adopted to induce poverty among Blacks, ii) the inadequate resources and low quality educational instruction afforded to Black learners, iii) the low levels of educational attainment among black adults who have been deprived of a sound primary and secondary education, iv) the absence of a culture of learning resulting from the deliberate under-resourcing of Black residential areas.

It is therefore not inconceivable that these people may not be strong on or may not have had exposure to managerial skills that are critical to run an operation. This means that the amount of support to be given may need to involve long time scales. These mentioned issues, it can be deduced, point to the fact that more needs to be acknowledged or considered about the interventions proposed or expected to take place for enterprise development reasons.

From the reviewed literature, it is evident that the enterprise development has a huge role to play in contributing to our economy's GDP and creating much needed employment capacity. This is important considering that the motor industry retail is a significant contributor to the country's GDP. To this end, theories that endeavour to explain the challenges usually faced and appropriate remedies as well as support mechanisms have been dealt with.

The historic need of supplier development or small enterprise development purely for protection of supply and similar considerations has been dealt with at length as well. This included some barriers to enterprise or supplier development. The literature review is extensive in its coverage of enterprise development challenges in instances where literacy and education levels or a general conducive environment for effective enterprise development are present.

Empowerment of historically disadvantaged individuals internationally was also considered for comparison reasons with the South African BBBEE. The literature reviewed also recognizes the differences between necessity and opportunity entrepreneurs versus small business owners and articulate each as the differences are significant. From this review, enterprise development in the context of BBBEE was therefore singled out for evaluation of its effectiveness given the reviews made above, especially understanding the intention of the code of good practice on enterprise development.

The purpose of this research was to assess the effectiveness of enterprise development initiatives within McCarthy's franchised retail dealer network in the context of BBBEE. The literature review highlighted that companies generally do not always have the capacity to nurture strategic enterprises that supply them with input material. This is to an even lesser extent for enterprises that are not necessarily suppliers of strategic input materials but empowerment arrangements as in the context of BBBEE.

### **3.2. Actual research questions**

The research questions to be answered were as follows.

#### **Research question 1**

How familiar are branch managers with enterprise development as stipulated in the broad based black economic empowerment scorecard?

#### **Research question 2**

What attitudes do branch managers of dealerships have toward enterprise development?

How effective were training efforts by head office in increasing understanding, knowledge and implementation efforts of enterprise development at dealerships level.

#### **Research question 4**

What were the perceived barriers to enterprise development implementation?

#### 4.1. Research Methods

The primary research method used was quantitative. The survey questionnaires were meted out to the dealer principals of the different branches being surveyed through the email and internet. See appendix B for a copy of the questionnaire. Their accessibility through this medium also made the use of these survey questionnaires rather relevant and appropriate for this purpose. Yun and Trumbo (2000) as quoted in Bryman and Bell (2007), intimate that having a web survey or even an email option can boost response rates relative to postal questionnaires.

Company specific records pertaining to the topic of BBBEE were accessed and used in the analyzing and understanding of the subject. Likewise, information from the Department of Trade and Industry and other relevant sources including those from the world wide web were considered.

According to Zikmund (2003), classifying business research on the basis of purpose or function allows us to understand how the nature of problem influences choice of research method. He further expresses that the objectives of the research methods, available data sources, urgency of decision and the cost of obtaining data will determine which method is chosen.

validity is the ability of a measure to measure what it

is supposed to measure. Czaja *et al* (2005) state that validity requires first that the questions measure the dimension or construct of interest; and second, that respondents interpret the question as intended.

To enhance the understandability of the survey questions and also improve construct reliability, the questionnaires were pre-tested with an individual deeply involved in BBBEE. As a result of the feedback, the questionnaire was changed to specify all HDI $\phi$  as there were other groups included in the broad definition of HDI $\phi$  (e.g. disabled persons of any colour and white females) that were not initially included.

#### 4.3. Reliability

According to Zikmund (2003), reliability is the degree to which measures are free from error and therefore yield consistent results. Reynaldo and Santos (1999) also state that variables derived from test instruments are declared to be reliable only when they provide stable and reliable responses over a repeated administration of the test. Czaja *et al.* (2005) He further indicates that reliability mainly refers to the degree of variation in repeated trials.

will be used to determine correlation of the questions on the dealer principal questionnaire. Reynaldo *et al* (1999) explain Cronbach's alpha to determine the internal consistency or average correlation of questions in a survey instrument to gauge its reliability. Appendix E shows a list of the 13 survey questions coded  $Q1$  to  $Q13$  with their corresponding Cronbach's Coefficient Alpha calculations.

Nunnally (1978) as quoted in Reynaldo *et al* (1999) indicated that 0.7 is generally regarded as an acceptable reliability coefficient but that lower thresholds were sometimes used in the literature. He further indicated that the higher the score, the more reliable the generated scale is. Spiliotopolou (2009) also added that a measure with alpha equal to or greater than 0.70 was reliable for research purposes.

According to Coetsee (2009), as a rule of thumb, a correlation of 0.3 or more between each item with the total was high enough. From the appendix E, it was clear that with the high correlations per variable between alpha and each item total, deleting any of the variables would decrease the Cronbach's alpha. This therefore suggested each variable should be retained in describing the underlying theme of the construct which is evaluating effectiveness of enterprise development initiatives.

quantitative research methods. Part of the research

was done in the form of surveys carried out through questionnaires to both the (i) dealer principals as well as the (ii) enterprise development beneficiaries.

Dealer Principals are the equivalent of General Managers and essentially represent the highest decision making body within a motor dealership. They are responsible for running the entire operation and see to its profitability as well as compliance to most if not all regulatory requirements.

Enterprise Development beneficiaries represent all those identified people who have been given an opportunity to run a certain part of the dealership operation or given floor space to operate from under the companies enterprise development programme. These people are supposedly then given support in many forms from management advice through mentoring or coaching, technical business operating skills or any other form of assistance to ensure that they run their operations successfully.

While results from both populations of dealer principals and beneficiaries were used, the primary information was the responses from the dealer principals. The survey responses from the beneficiaries essentially provided clarifying information.

combination of both the dealer principals and the enterprise development beneficiaries.

#### **4.6. Sampling method and size**

Both these target populations sampled were carried out through convenience sampling. As both these two groups of subjects represent entities or operations within or associated with McCarthy franchised dealerships, a non-probability convenience sample was used as these subjects were approached based on their availability and accessibility.

The target population was the dealer principals of all dealerships within McCarthy Ltd. in South Africa that both have, and do not have, enterprise development initiatives already within their dealerships. There are at least 92 franchised dealerships within the group.

With convenience sampling however, Zikmund (2003) indicates that it is worth noting, understanding and acknowledging that it is inappropriate to project results beyond the specific sample. Bryman (1989a) asserts that in the field of business and management, convenience samples are very common and indeed are more prominent than samples based on probability sampling.

...e was such that it covered all the aspects that were considered important in determining effectiveness of McCarthy franchised dealerships in Gauteng in achieving their enterprise development scores.

Questions for dealer principals entailed what they observed and thought to be most important soft skills, hard skills, coaching and mentoring for their beneficiaries or potential beneficiaries to be successful. These questions were important as their responses could give some idea of the awareness, willingness and commitment of dealer principals to engage themselves in enterprise development initiatives.

The questions aimed at the beneficiaries evaluate their perception and experience about the overall support they get from the group and also their general sense of their growth and prosperity going forward. The questionnaire also took into account the breakdown of demographics.

#### **4.8. Process of data capturing**

The McCarthy dealerships within Gauteng are quite widely spread and, as a result, email was used to reach the dealer principals. Those dealer principals that completed the questionnaire were called upon telephonically or in person to get some clarity on responses on the qualitative comment section. These attempts proved fruitless however. Schaefer and Dillman (1998) as quoted in Czaja and Blair (2005) mention that there is limited evidence that email survey respondents

The questionnaires intended for beneficiaries was prepared in very simple language so as not to confuse the respondents and as a result get responses that are inconsistent with the essence of the questions. The data collection was through questionnaires which were hand delivered as there was no expectation that the sample might have neither access nor the infrastructure to receive them in an electronic form.

Exploratory research in the form of informal experience surveys was also conducted with specialists of broad-based black economic empowerment both within the group and with external bodies. As this particular element of BBBEE has not been particularly deeply researched, it was helpful to get a perspective that sought to clarify or give a perspective on the subject with particular relevance to the motor industry.

#### **4.9. Data Analysis**

To get an understanding of the data received, descriptive analysis was done. Accordingly to Zikmund (2003), descriptive analysis refers to the transformation of raw data into a form that will make them easy to understand and interpret: rearranging, ordering, manipulating data to provide descriptive information.

of analysis was done in an attempt to understand the response the data could reveal in answering the research questions. These included frequency tables, distributions, means procedures e.t.c. Wilcoxon matched-pair signed-ranks tests were done to determine differences between responses of male and female respondents.

Kruskal-Wallis test was also done to determine the difference in responses between respondents from the three provinces that responded in the survey. This test is also applicable even with the convenience sample taken. According to Zikmund (2003), when a researcher wishes to compare three or more groups or populations and the data are ordinal, the Kruskal-Wallis test is the appropriate statistical technique.

For the beneficiary respondents, only frequency tables were done due to the restrictively few number of respondents. This data will be utilized to contrast responses of the primary respondents, that is, the dealer principals.

ons are acknowledged:

1. The enterprise development beneficiaries to be sampled were limited and therefore the sample size was rather small.
2. There was the possibility of experiencing a non response error (Zikmund, 2003) due to the selected beneficiaries failing to participate in the survey due to possible intimidation by the survey questionnaires.
3. Response Bias, according to Zikmund (2003), may be an issue as the respondents may have a tendency to answer in a certain direction especially if they rely solely on the business of the host company. McCarthy Ltd, like most dealer groups, has been struggling to get dealerships to comply in the area of enterprise development. This had resulted in dealerships being put under pressure to consider and action enterprise development. This may result in Dealership Managers overstating their actual contribution or enthusiasm about enterprise development initiatives so as not to seem out of line.
4. The open-ended (qualitative) part of the questionnaire was not completed by both sets of subjects and as such any experiences not covered in the ranked part of the questionnaire were not uncovered.
5. The results of the dealer principal survey may have some positive bias due to the fact that email was used which could guarantee confidentiality but not anonymity.

## 5.1 Introduction

The findings of this research are presented in this chapter. The results are two data sets as there were two independent populations that were surveyed. The survey responses from the beneficiaries were explored in full to try and get a clearer understanding of the responses from the dealer principals as the existence and support of beneficiary enterprises is the ultimate envisaged outcome of the BBBEE codes of good practise on enterprise development.

## 5.2 Sample description

### 5.2.1 Dealer principals

Based on the current scores of the company on enterprise development scorecard of the codes of good practise, it can be safely deduced that compliance for this particular pillar of BBBEE was problematic. The dealer principals are a homogenous group and the equivalent of Branch managers.

Information from Tables 3 to 5 indicated that, overwhelmingly, the respondents were white males from Gauteng region who participated in the survey. This statistic

**Table 3 – Gender of respondents**

| Gender |           |         |                      |                    |
|--------|-----------|---------|----------------------|--------------------|
| Gender | Frequency | Percent | Cumulative Frequency | Cumulative Percent |
| F      | 5         | 18.52   | 5                    | 18.52              |
| M      | 22        | 81.48   | 27                   | 100                |

**Table 4 – Racial profile of respondents**

| Race     |           |         |                      |                    |
|----------|-----------|---------|----------------------|--------------------|
| Race     | Frequency | Percent | Cumulative Frequency | Cumulative Percent |
| AFRICAN  | 1         | 3.7     | 1                    | 3.7                |
| COLOURED | 1         | 3.7     | 2                    | 7.41               |
| INDIAN   | 1         | 3.7     | 3                    | 11.11              |
| WHITE    | 24        | 88.89   | 27                   | 100                |

**Table 5 – Geographic location of respondents**

| Region  |           |         |                      |                    |
|---------|-----------|---------|----------------------|--------------------|
| Region  | Frequency | Percent | Cumulative Frequency | Cumulative Percent |
| CAPE    | 3         | 11.54   | 3                    | 11.54              |
| GAUTENG | 20        | 76.92   | 23                   | 88.46              |
| KZN     | 3         | 11.54   | 26                   | 100                |

A convenience sampling was done on the basis that all these persons were readily available to the researcher via email. The population of dealer principals within the company countrywide was 92. Out of the surveys sent to these respondents, only 32 responded. This represents a response rate of 34.78%. On the other hand, there were at least 11 enterprise development projects running within the company. Survey questionnaires were sent to the beneficiaries representing these projects and six responses were received back, representing a response rate of 54.55%.

### 5.2.3 Incomplete survey questionnaire responses

Due to the nature of the survey questionnaire distribution mechanism used for the dealer principals questionnaires, that is email, there always remained a possibility that some questions may be left vacant should the responded feel uncomfortable giving a response especially considering that email may only guarantee confidentiality and not necessarily anonymity. As a result, there are some questionnaires that did not have the full responses.

## questionnaire results – Dealer Principals

As there were 13 direct and specific questions in the dealer principal questionnaire, all were fully unpacked and reported upon under the appropriate research question. These survey questions will be indicated at the beginning of the discussion of each main research question.

### Research question 1

**How familiar are branch managers with enterprise development as stipulated in the broad based black economic empowerment scorecard?**

Two questions were utilised to unpack and understand main research question one and these are survey questions one and seven. For question one in Figure 5, the dealer principals reported their comfort in having a good understanding of the codes of good practice including enterprise development in particular.

Of particular interest is that those that ~~strongly agree~~ reported the highest percentage of the sample at 48.39% versus a percentage of ~~agree~~ of 45%. A mean of 3.41 was recorded for question one and the low standard deviation of 0.62 indicated that the average difference of the scores from the mean of distribution were very low.

**Table 6 – Means procedure Question 1**

| Variable | N  | Mean     | Std Dev | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|---------|-----------|--------|-----------|
| nv1      | 31 | 3.419355 | 0.62044 | 3         | 3      | 4         |

For question seven in Figure 6 which is a counter balancing question, the strong optimism about knowledge of the codes of good practice and how they are measured reduced drastically from a high of 48% to 16%. The dealer principals however still felt moderately positive about their understanding of the measurements of the codes at a score of 47% agreeq Table 7 showed a relatively lower mean of 2.76 with a larger standard deviation indicating a wider spread in the responses.

**Table 7 – Means procedure Question 7**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv7      | 30 | 2.766667 | 0.773854 | 2         | 3      | 3         |

managers of dealerships (dealer principals) have  
towards enterprise development?

This research question was supported by survey questions three, four and six. For question 3 shown in Figure 7, 58.06% and 32.26% agreed and strongly agreed respectively indicating a possible willingness to introduce enterprise development. A mean of 3.26 was reported with a relatively low standard deviation indicating that the average difference of the responses was rather small.

**Figure 7 – Consideration for introduction of ED**

**Table 8 – Means procedure Question 3**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv3      | 30 | 3.266667 | 0.583292 | 3         | 3      | 4         |

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agreeing at 51.61% in particular. Those respondents that agree are also represented by a significant percentage at 41.94%. A rather high mean of 3.45 was reported with a relatively low standard deviation indicating that the average difference of the responses was rather small.

**Figure 8 – ED essential for HDI economic activity**

**Table 9 – Means procedure Question 4**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv4      | 31 | 3.451613 | 0.623897 | 3         | 4      | 4         |



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is to choose and pursue

the most frequency in the responses being disagreeat

**Figure 9 – Willing choice to pursue ED for compliance**

**Table 10 – Means procedure Question 6**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv6      | 31 | 3.258065 | 0.514311 | 3         | 3      | 4         |

Of note was that in all three questions 3, 4 and 6, there was a rather insignificant number of respondents who expressed a mild or strong sense of disagreement with the questions raised.

**How effective have training efforts by head office been in increasing understanding, knowledge and implementation potential of enterprise development at dealerships level**

For question 2 of figure 10 below, quite a number of respondents believed that awareness training had been provided by head office with only 4 respondents representing 12.90%, disagreeing.

**Figure 10 – Head Office training on ED**

---

**Table 11 – Means procedure Question 2**

| Variable | N  | Mean     | Std Dev | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|---------|-----------|--------|-----------|
| nv2      | 31 | 3.290323 | 0.69251 | 3         | 3      | 4         |

of the training interventions by head office at 32.26%

with a modest 55.00% agreement

**Figure 11 – Effectiveness of Head Office ED training**

**Table 12 – Means procedure Question 5**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv5      | 31 | 2.774194 | 0.616965 | 2         | 3      | 3         |

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Figure 12 presented a picture of respondents largely agreeing with the statement that head office had a clear understanding of what they expect of dealerships in terms of pursuing compliance (54.84%), with just under half of these respondents strongly agreeing at 25.81%.

**Figure 12 – Head Office expectations of dealers on ED**

**Table 13 – Means procedure Question 8**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv8      | 29 | 3.137931 | 0.639427 | 3         | 3      | 4         |

**ers to enterprise development implementation?**

Figure 13 below indicates quite a sizeable portion of the respondents indicating a willingness guide, coach or mentor beneficiary enterprises at 48.39% and 41.94% between those that agree and strongly agree respectively. Those that disagreed were rather negligible at less than 10%.

**Figure 13 – Mentoring or coaching of ED beneficiaries**

**Table 14 – Means procedure Question 9**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv9      | 31 | 3.290323 | 0.739078 | 3         | 3      | 4         |

did not have an issue in

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Participants did not affirm HDIs with an overwhelming score of  $\bar{x} = 3.35$  and strongly agreed at 38.71% and 38.71% respectively.

**Figure 14 – Redress of past discrimination**

**Table 15 – Means procedure Question 10**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv10     | 31 | 3.354839 | 0.550659 | 3         | 3      | 4         |

Below highlighted a positive impression of minimal challenges to introducing enterprise development within dealerships with  $\bar{x}$  agree and  $\bar{x}$  strongly agree scores of 38.71% and 32.26% respectively. Table 16 shows a mean of 3.068 with the highest standard deviation reported of all questions at 0.84.

**Figure 15 – Introduction of ED in dealerships**

**Table 16 – Means procedure Question 11**

| Variable | N  | Mean     | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|----------|----------|-----------|--------|-----------|
| nv11     | 29 | 3.068966 | 0.842235 | 3         | 3      | 4         |

e. The mean was rather low comparatively to other questions at 2.7 as quite a large number of respondents agreed that ED is difficult to introduce and manage. The standard deviation was 0.749.

**Figure 16 – Difficulty of managing ED initiatives**

**Table 17 – Means procedure Question 12**

| Variable | N  | Mean | Std Dev  | 25th Pctl | Median | 75th Pctl |
|----------|----|------|----------|-----------|--------|-----------|
| nv12     | 30 | 2.7  | 0.749713 | 2         | 3      | 3         |

A summary of other questions from the survey questionnaire indicate that respondents were optimistic about their ability to progress on the subject of introducing this pillar. With the Wilcoxon Two-Sample tests done on the survey respondents, on the thirteen questions, between males and females, the null hypothesis could not be rejected on any of the questions. The null hypothesis was that both female and males scored the same.



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er. Likewise, the Kruskal-  
if there were any peculiarities between the three  
provinces that responded also did not have garner sufficient support to reject the  
null hypothesis. The null hypothesis could not be rejected for any notable  
differences between the three provinces.

## Questionnaire results – beneficiary enterprises

### 5.4.1 Enterprise beneficiaries

The second population was that of beneficiaries. These were the incumbents that have been identified to run small enterprises within the framework of dealerships or already did and were supposed to have been provided with support as recommended in the codes of good practice. There were only a few of these projects running within dealerships as was evident in Table 2.

The make-up of the beneficiary sample in terms of gender was represented in Figure 17. This also reflected the totality of the number of responses received back for beneficiaries. As has been said earlier already, the results from the beneficiaries were used to contrast the responses given by the main population sample of dealer principals.



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As can be expected from a programme that is intended to support and empower historically disadvantaged individuals this race distribution in Figure 18 confirms this. White women are also regarded as previously marginalised and as a result the appearance of such on the bar chart in Figure 18.

**Figure 18 – Beneficiary racial profile**

only three respondents of  
s post matric. Half of the respondents did not have  
matriculation. That being said however, those two enterprises that made it past the  
5 year mark were from a beneficiary with an undergraduate degree and a  
matriculant.

**Figure 19 – Beneficiary qualification profile**



the beneficiary enterprise

**Figure 20 – Beneficiary enterprise age profile**

Five out of six survey respondents in Figure 21 believe they have the required skills to run their small enterprises.

**Figure 21 – Beneficiary skills profile**

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the respondents that agree

that disagree and strongly disagree.

**Figure 22 – Dealership general intervention practices**

Figure 23 indicated that the beneficiaries seemed to have heard about BBBEE codes of good practise even though they overwhelmingly stated that they did not understand them at all.

**Figure 23 – Beneficiary understanding of BBBEE codes**



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to have an open line of

companies and this is reflected with the 67% score.

**Figure 24 – Open communication with dealer**

Figure 25 confirmed that four of the six beneficiaries disagreed at varying degrees between just disagreeing to strongly disagreeing in the essential support of cash flow management.

**Figure 25 – Dealer technical support intervention**



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any specific mentoring or

enterprises with four out of the six disagreeing.

**Figure 26 – Mentoring and coaching of beneficiaries**

## ision of Results

### 6.1 Introduction

As was discussed in chapter one, the overall intention of the BBBEE act is to promote the achievement of the constitutional right to equality as well as increase the participation of the majority of South Africans in the economy and to promote a higher economic growth rate. Through this act, the government decided to focus much of its attention on economic development that is associated with growth, development and enterprise development and not merely redistribution of existing wealth, as articulated by former state president Thabo Mbeki in 2003.

Based on the set of criteria as stipulated in the codes of good practise, corporations had to set in motion efforts to comply with this piece of legislation. The discussion of these results therefore seeks to explore the effectiveness of enterprise development initiatives, in the context of this BBBEE legislation, within the McCarthy franchised retail motor dealerships in South Africa.

### 6.2 The results

Unlike in the previous chapter 5, where results from the two population sets were presented separately, in this section they were discussed together so as to

## 6.3 Discussion of results

### Research question 1

#### **How familiar are branch managers with enterprise development as stipulated in the broad based black economic empowerment scorecard?**

The results of the two questions (represented in Figure 5 and 6), specifically utilised to understand the awareness and familiarity of branch managers with enterprise development, generally yielded optimism at varying degrees from the respondents. As the branch managers were ultimately responsible for introduction and implementation of enterprise development initiatives within the group, a positive response to these two questions was expected.

The difference in response positivity between the first question (Figure 5) and the second question (Figure 6) of understanding exactly how the codes were measured was an initial indicator of possible inadequate understanding. Understanding the BBBEE codes of good practice was critical to the effective implementation of the codes. In fact, the percentage of the respondents who stated upfront their lack of understanding of the codes increased from a mere 6.45% to 36.67% on the next question of understanding how it was measured particularly.

derstood without having an

ensured, especially as it was a matter of compliance to  
legislation. As dealer principals are expected to understand ED to successfully  
implement it, the positive responses received were in line with the researchers  
expectations.

The initial sentiments around BBBEE were not positive as it was seen as a policy  
to marginalise whites and to empower blacks. Ponte *et al.* (2007) also argue that  
BBBEE does not enjoy much publicity internationally either, except in South Africa.  
There may be an explanation therefore in the low occurrence of ED considering  
also the racial profile of the majority of dealer principals in Table 4.

It was not surprising that the effort put into understanding the codes of good  
practise and how they are evaluated for compliance to the act was inadequate. The  
low occurrence of enterprise development projects within the dealerships of the  
group as can be seen from table 2 also bore testimony.

Hannon (2004) asserts that, as a model of enterprise development, business  
incubators seem to provide the opportunity for growth and development more that  
could be achieved in an external unprotected environment. There is little evidence  
to suggest that there is a structured approach from the dealer principal level to  
engage enterprise development in a meaningful way. In fact the results indicate a  
rather haphazard approach, largely motivated by the need to comply if ED is not  
considered a cost of doing business. The low occurrence of ED also suggests this.

as dealer principals themselves, also have a rather unconvincing understanding. A good understanding of the ED concept and its measurements is particularly critical to its successful implementation.

## Research question 2

### **What attitudes do branch managers of dealerships (dealer principals) have towards enterprise development?**

It was important to assess the attitudes that branch managers have towards enterprise development in attempting to understand its low occurrence within the group. The high scores reflected in Figure 8 indicated that there was an appreciation by branch managers of the need to bring in historically disadvantaged individuals.

The ~~strongly agree~~percentage in this particular question compared to figure 7 may have suggested more an emotional response or a morally correct response than a practical one due to the lack of evidence in action taken to support the positive responses. Figure 9 highlights that almost 97% of respondents say they would be willing to pursue enterprise development as part of compliance to codes of good practice.

Enterprise development is the one pillar of the BBBEE codes of good practice that essentially adds to productive capacity of the economy unlike the rest that are

of enterprise development projects are running.

Cummings *et al* (2005) with their model for planned change indicated that there are four distinct phases that characterise organisational development and that these required significant effort in time. This partially gave an explanation of the low uptake of enterprise development projects within the group's dealerships.

Hannon (2004) mentioned that successful incubators highly select their entrants, such that only the stronger applicants are invited to become incubatees. He continues to add that strong selection and exit policies would ensure appropriate matches between beneficiaries and management experience and capability.

Dealer principals indicate their appreciation of the need to bringing HDI's into economic mainstream and also an overwhelmingly response to want to pursue ED. When this position is contrasted against that articulated by beneficiaries, the difference may indicate that ED is not a product of free market economics but rather a compliance issue in South Africa hence the mismatch between intentions and actual practice.

Lewis (1973) as quoted in Fourie (2007) , indicates that education was seen as an irrelevant luxury and this limited development of skills in industry. The education levels of beneficiaries are important to provide a base knowledge that can help begin to bridge the gap left by mismatched skills. Speaking to some of the

acerbates a problem in communication.

As this research was sanctioned by the groupsq human resource director, the responses were expected to be overly positive, especially as the survey questions used to unpack this research question sought only to establish intent. Hugo *et al* (2006) also indicated that transaction costs are high in engaging with enterprises to be developed or those in early stages.

### Research question 3

**How effective have training efforts by head office been in increasing understanding, knowledge and implementation efforts of enterprise development at dealerships level?**

Figure 10 suggests that 86% respondents were happy that head office had offered relevant training on the subject. Figure 11 indicated a softer response from the respondents with 32.26% of them in fact stating that the awareness training had not increased knowledge and the implementation potential of enterprise development.

What was interesting was that head officesq expectations of dealershipsq compliance to the codes of good practice is exactly the outcome the compliance to the codes themselves are intended to solicit. It became clear as the research questions were explored that the optimism portrayed by the respondents may have

lack of anonymity of email response. The poor

occurrence of ED within the group also partly explained this contradiction.

Van Aasen *et al* (2009) explained that enterprises pass through a number of specific phases in their growth over time and that these phases characterised challenges that generally afflicted enterprises in those growth stages. There was no evidence up to this point that suggested that branch managers understood these different reported challenges. Penrose (1959) as quoted in Watts *et al* (1998) also mentioned that a basic problem existed in understanding growth, in that larger, developed firms are so different from small enterprises that it was hard to see that they are the same species.

As a matter of fact, Figure 25 indicated that two thirds of the beneficiary respondents reported that their dealerships, where they are located, did not provide them with any technical support such as cash flow management, one of the biggest challenges for start-up enterprises. The results also indicated they did not get any mentoring or coaching at a formalised level, something that is a necessary ingredient for success at that higher risk stage of start-up or early stage enterprises. (See Figure 26).

Even though Figure 20 shows the age of the six ED initiatives ranging from six months to over five years, an overwhelming majority at 67% only agreed that they had the required skills to run their enterprises. This moderate response from

#### Research question 4

#### What are the perceived barriers to enterprise development implementation?

Figure 14 suggested that the skill set required to support a beneficiary enterprise, that is, a start-up or new venture, is different to that acquired from running an already maturing or matured business. The dealer principal respondents in this question are clear on their preference for redress for past discrimination (at a score of over 95%) but seem to have no skills to effect a change. This point is supported by the fact that their responses in Figure 15 suggest that over 70% feel that nothing stops them from introducing enterprise development initiatives at their dealerships.

In Figure 13 the respondents also indicated a willingness to mentor or coach enterprise beneficiaries in an overwhelming percentage of about 90% even though there was not much to show for it. Only one respondent of the 32 that responded indicated that they already have an enterprise initiative running at their dealership.

It was not surprising therefore when figure 16 indicated that about 65% of all respondents found enterprise development as the most difficult pillar of the seven to introduce and manage. Of interest was that just over 30% felt that this statement is not true even without any compelling evidence to support such an assertion or

the report, 2007) discussed in chapter 1, there was consistency in that enterprise development is the least implemented element of the scorecard.

Hugo *et al* (2006) mentions that the costs incurred in introducing and implementing an intervention such as enterprise development (termed transaction costs) are generally high in terms of time spent attending to these beneficiary enterprises, personal contacts and time spent in developing them. Ndabeni (2008) also adds that to nurture start-up and early stage enterprises at managed workplaces to provide on-the-spot diagnosis and treatment of business problems to lower early stage failure rate is complex in both structure and execution.

### 7.1. Introduction

Based on the responses to the different questions that sought to interrogate respondents on the four main research questions, it was clear that there was a gap between the wishes and thoughts of the primary respondents, the dealer principals, and reality on the subject of introducing enterprise development.

The recommendations of how best to improve the low occurrence of enterprise development within McCarthy Ltd franchised dealer network will be articulated per main research question.

### 7.2 Main research question 1

It was clear from the discussion of results in the previous chapter 6 on this research question that there is a general inadequacy in understanding the BBBEE codes of good practice by the dealer principals as well as the beneficiaries. This situation may well persist until a different intervention is put in place to ensure that the stipulations of the codes are understood to a much higher degree and therefore better compliance.

Some of the beneficiaries visited indicated that they were told that they were on the ED programme and only saw a representative from head office very irregularly. The intervention of such person was rather ceremonial with little value add. What

hardly visited, if at all, the  
erefore any form of mentoring or coaching was not

present.

It would be useful to also engage beneficiaries such that they understand the intent of the codes and what meaningful assistance and support can be gained for the benefit of their small enterprises. From some of the responses of the beneficiaries, it was clear that the quality of person engaged was not adequately thought out and as a result, upfront placing in jeopardy what could potentially be a successful project.

### **7.3. Main research question 2**

There is general support and empathy by dealer principals that enterprise development is necessary to bring on board historically disadvantaged individuals. It is encouraging that their intent to support such initiatives is to generally create more enterprises and create new wealth as opposed to redistributing existing wealth. It would appear that while the will and intention are present, it is how these initiatives would be introduced that seems to be not clearly understood or articulated.

What seems not to be understood and perhaps creates the apprehension seen so far is the extent of support expected from dealer principals when they may not have had exposure to or undergone any training that empowers them to become mentors or coaches of beneficiary enterprises.

While the discussion in the previous chapter six points to adequate and effective training by head office, it is clear that training is still an inhibitor of the introduction of new enterprise development initiatives. The low occurrence of enterprise development largely indicates that there are underlying factors that do not support the introduction of such initiatives. From the literature review, it was also possible that the training offered might not have been relevant to start-ups or early stage enterprises.

The challenges experienced by these beneficiary enterprises are markedly different from those of businesses growing towards maturity or already mature. This would indicate a potential mismatch of skills offered versus support required by these beneficiary enterprises.

#### **7.5. Main research question 4**

The discussion in chapter 6 indicated a strong willingness by dealer principals in mentoring and coaching beneficiary enterprises. It also indicated that there is some goodwill from them in favoring programmes that affirm historically disadvantaged individuals. However, they are clearer in their articulation that there are inhibitors that hinder their ability to introduce enterprise development initiatives.

in the quality of education, long beneficiary selection and exit policies make a compelling case. Freeman et al. (2003) indicate that HDIs had been subjected to an inferior education and training system that prepared them to be employees. There is therefore a strong need for proper screening and selection of beneficiaries rather than appointment on the basis of the fact that a position a person holds has been identified for an ED initiative.

To sum it up, the unequivocal statement of their majority of dealer principal respondents, that enterprise development is the most difficult pillar to introduce and manage is probably the clearest message that significant interventions in the empowerment of dealer principals are necessary for any meaningful change to happen.

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## APPENDIX A

25 August 2009

Dear Sir/Madam

### **Invitation to participate in study to determine effectiveness of enterprise development initiatives in McCarthy dealerships**

#### Background

This research is conducted by Mosalla Shale, a Master of Business Administration (MBA) student at the Gordon Institute of Business Science (GIBS). The aim of this research is to establish the effectiveness of enterprise development initiatives, in the context of Broad Based Black Economic Empowerment scorecard, within the McCarthy franchised motor dealerships.

#### Outcome

The outcome of this research will be to understand the occurrence of enterprise development, its implementation and compliance challenges for both the company as well as the beneficiaries.

#### Participation

Your participation is voluntary and all data will be kept confidential and used for this purpose only. Please email the completed survey questionnaire to [mosallas@mcmotor.co.za](mailto:mosallas@mcmotor.co.za). Thank you for completing the attached survey.

If you have any concerns please contact the undersigned or my research supervisor at GIBS.

Yours faithfully

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Please select your choice by marking the appropriate block with an X

|   | Strongly disagree | Disagree | Agree | Strongly agree | Not Applicable |
|---|-------------------|----------|-------|----------------|----------------|
| 1. I have a good understanding of enterprise development as one of the pillars of Broad-based Black Economic Empowerment.   |                   |          |       |                |                |
| 2. Head Office has provided awareness training on enterprise development (as part of the BBBEE introduction workshops).   |                   |          |       |                |                |
| 3. I have or would consider introducing an enterprise development initiative at my dealership.  |                   |          |       |                |                |
| 4. Small enterprises development is essential for incorporating historically disadvantaged people into mainstream economic activity.  |                   |          |       |                |                |
| 5. Training efforts by Head Office in increasing knowledge and implementation potential of Enterprise Development within dealerships are extremely good.  |                   |          |       |                |                |
| 6. I would willingly choose and pursue enterprise development as part of compliance to Broad-based Black Economic Empowerment scorecard.  |                   |          |       |                |                |
| 7. I understand exactly how enterprise development is measured according to the codes of good practice.   |                   |          |       |                |                |
| 8. Head office have a clear understanding of what they expect of dealerships in terms of pursuing and compliance to enterprise development code of good practice.   |                   |          |       |                |                |
| 9. I have/would have no problem mentoring or coaching an identified beneficiary of enterprise development.  |                   |          |       |                |                |
| 10. To redress for past discrimination, I favour programmes that assist previously disadvantaged individuals to become economic players.  |                   |          |       |                |                |
| 11. Nothing stops me from introducing enterprise development initiatives at my dealership   |                   |          |       |                |                |
| 12. Of the five pillars of BBBEE that I have control over, Enterprise development is the most difficult pillar to introduce and manage.   |                   |          |       |                |                |
| 13. I have or would have no problem providing a beneficiary enterprise with support/co-lateral to access credit or provide preferential credit facilities at a market related interest rate.  |                   |          |       |                |                |
| 14. Is there any other information not covered by the questionnaire that you would like to share regarding challenges/potential challenges pertaining to enterprise development initiatives within the groups' franchised dealers. Comment in section below please. |                   |          |       |                |                |

Thank you for taking time to complete this survey. Your assistance is greatly appreciated.

Mosalla Shale

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**Mosalla Share**

Contact No. : 082 333 6327

E-mail: mosallas@mcmotor.co.za

Please select your choice by marking the appropriate block with an X

| Are you: |                          |
|----------|--------------------------|
| Male     | <input type="checkbox"/> |
| Female   | <input type="checkbox"/> |

| Which age group best represents you? |                          |
|--------------------------------------|--------------------------|
| 16-25                                | <input type="checkbox"/> |
| 26-35                                | <input type="checkbox"/> |
| 36-49                                | <input type="checkbox"/> |
| 50+                                  | <input type="checkbox"/> |

| Which race group best represents you? |                          |
|---------------------------------------|--------------------------|
| Black                                 | <input type="checkbox"/> |
| Indian                                | <input type="checkbox"/> |
| White                                 | <input type="checkbox"/> |
| Coloured                              | <input type="checkbox"/> |
| Other                                 | <input type="checkbox"/> |

| Which academic qualification level best represents you? |                          |
|---|--------------------------|
| Matric  | <input type="checkbox"/> |
| Certificate   | <input type="checkbox"/> |
| Diploma   | <input type="checkbox"/> |
| Undergraduate Degree                                    | <input type="checkbox"/> |

| How old is your small enterprise? |                          |
|-----------------------------------|--------------------------|
| 0 - 6 months                      | <input type="checkbox"/> |
| 1 - 2 years                       | <input type="checkbox"/> |
| 3 - 4 years                       | <input type="checkbox"/> |
| 5 years +                         | <input type="checkbox"/> |

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Block with an X

|   | Strongly disagree | Disagree | Agree | Strongly agree | Not Applicable |
|---|-------------------|----------|-------|----------------|----------------|
| 1. I have the required skills to run my small enterprise  |                   |          |       |                |                |
| 2. My host company intervenes to provide support and guidance to my business  |                   |          |       |                |                |
| 3. My host company pays me timeously (no longer than 10 days) after rendering services to it to assist my business cash flow, where applicable                                    |                   |          |       |                |                |
| 4. My host company regularly assists me in diagnosing and dealing with potential or existing problems in my business operations.  |                   |          |       |                |                |
| 5. My host company provides coaching and mentoring services to me on a formalised level   |                   |          |       |                |                |
| 6. My host company genuinely has my businesses best interests at heart and is interested in my business success.  |                   |          |       |                |                |
| 7. There is open and effective communication between my business and the host company.  |                   |          |       |                |                |
| 8. My host company regularly provides me with technical management expertise like cash flow management  |                   |          |       |                |                |
| 9. There are business growth opportunities for my enterprise beyond the host company  |                   |          |       |                |                |
| 10. I understand the BBBEE codes of Good Practice and the impact they have on business  |                   |          |       |                |                |
| 11. I understand that I am responsible for the success of my business.  |                   |          |       |                |                |
| 12. Is there any other information not covered by the questionnaire that you would like to share regarding challenges pertaining to your enterprise? Write comments below please. |                   |          |       |                |                |
|   |                   |          |       |                |                |

Thank you for taking time to assist us in this survey. Your assistance is greatly appreciated.

Mosalla Shale

| <b>Cronbach Coefficient Alpha with Deleted Variable</b> |                               |              |                               |              |
|---|-------------------------------|--------------|-------------------------------|--------------|
| <b>Deleted Variable</b>                                 | <b>Raw Variables</b>          |              | <b>Standardized Variables</b> |              |
|   | <b>Correlation with Total</b> | <b>Alpha</b> | <b>Correlation with Total</b> | <b>Alpha</b> |
| <b>nv1</b>  | 0.540052                      | 0.779249     | 0.521592                      | 0.788373     |
| <b>nv2</b>  | 0.619837                      | 0.770699     | 0.610945                      | 0.780665     |
| <b>nv3</b>  | 0.531421                      | 0.780709     | 0.539769                      | 0.786820     |
| <b>nv4</b>  | 0.381670                      | 0.791870     | 0.400629                      | 0.798514     |
| <b>nv5</b>  | 0.421870                      | 0.788726     | 0.404829                      | 0.798167     |
| <b>nv6</b>  | 0.519170                      | 0.783254     | 0.541528                      | 0.786669     |
| <b>nv7</b>  | 0.355679                      | 0.795653     | 0.342341                      | 0.803282     |
| <b>nv8</b>  | 0.433219                      | 0.787725     | 0.434116                      | 0.795740     |
| <b>nv9</b>  | 0.380153                      | 0.792787     | 0.410465                      | 0.797702     |
| <b>nv10</b>   | 0.327580                      | 0.795726     | 0.352666                      | 0.802443     |
| <b>nv11</b>   | 0.454252                      | 0.786683     | 0.444145                      | 0.794904     |
| <b>nv12</b>   | 0.381688                      | 0.792781     | 0.390011                      | 0.799388     |
| <b>nv13</b>   | 0.374400                      | 0.793944     | 0.351022                      | 0.802577     |