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**Factors affecting corporate South Africa's strategies to
support SMMEs**

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Abstract

Based on previous research, the SMME sector growth in South Africa is growing too slowly to have a real effect on reducing unemployment and alleviating poverty (Goldstuck, 2014; Lehohla, 2014 & DTI, 2005).

This research explored three factors influencing the strategies of primarily consumer based corporate companies in South Africa in support of SMMEs. These factors are the BBBEE Act, particularly enterprise and supplier development; the Consumer Protection Act, particularly consumer education and access and the application of a 'Bottom Of the Pyramid' (BOP) concept when businesses engages with the BOP market.

The research adopted a phenomenological design using semi-structured interviews to collect data, of which were recorded and transcribed. The results were analysed according to the three factor influences on business in support of SMMEs. The first two factors relate to how adherence to the BEE legislations mentioned above materialised into inclusion of SMMEs in business's supply chains. The last factor relates to the approaches business follows when deploying their products and services into the BOP consumer market.

Findings of this research support adherence to the BEE legislations, but said adherence did not result in SMMEs being included in business' supply chains. There was support of application of a BOP concept. New finding was business application in support of procurement from BOP SMMEs, due to the SMMEs being part of businesses' enterprise development programs.

Due to the new DTI codes, under the BBBEE Act, and fairly new Access legislations, there was also an indication that business was gearing up to engage the BOP consumer market even further, through the inclusion of SMMEs in their supply chains as prescribed by the new DTI codes. However, this research did not establish the outcome application of these new laws and thus the subject requires further study.

Keywords

BBBEE (broad based black economic empowerment), corporate social responsibility, Access legislation; Bottom of the pyramid concept.

Declaration

By submitting this research report, I, Pamela Ramagaga, declare that the entirety of the work contained therein is my own, original work and that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification. For this work, the necessary authorisation and consent to carry out the research has been acquired. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria.

Pamela M Ramagaga

9th of November 2015

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Abbreviations

BEE	Black Economic Empowerment
BBBEE	road Based Black Economic Empowerment
BOP	Bottom of the pyramid
CPA	Consumer Protection Act
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CFP	Corporate Financial Performance
DTI	Department of Trade and Industry
EDP	Enterprise Development Program
EE	Employment Equity
EEP	Equity Equivalent Program
ESD	Enterprise and Supplier Development
GEM	Global Entrepreneur Monitor
IRBA	Independent Regulatory Board for Auditors
IRO	In Respect Of
LSM	Living Standards Measure
PDI	Previously Disadvantaged Individual
SANAS	South African National Accreditation Systems
SD	Sustainable Development
SIC	Stakeholder Influence Capacity
SMME	Small Medium and Micro Enterprise
TBL	Triple Bottom Line
VS	Versus

CHAPTER 1: INTRODUCTION

1.1. The problem

Poverty alleviation is one of the greatest problems in the world; in South Africa, poverty is 'one of the country's triple threats' where 39% of the population is living below the international poverty line of US\$1.25 per day, the other two being unemployment and inequality (Nicolson, 2015).

South Africa has one of the highest unemployment rates globally, Quarter one labour results for 2015, unemployment rate is 26.4%. Comparing South Africa's unemployment rate to other emerging countries such as India and China; India's in 2014 was 4.9% with its highest rate between 2010 and 2011 at 9.4% and China's in July 2015 was 4.05% with its highest rate at 4.1% in 2013 to January 2015 (Africa Check, 2014; StatsSA, 2015 & Trading Economics, 2015).

South Africa is perceived to be weak in job creation, resulting in under employment which is one of the major contributing factors to South Africa's continued poverty and inequality condition (Herrington, Kew & Kew, 2014).

Small Medium and Micro Enterprises (SMMEs) are widely regarded as central to job creation, particularly for entry level and unskilled labour force as they are more labour intensive than larger enterprises. Therefore, developing countries such as South Africa with high unemployment levels have a need for an active SMME sector to make drastic inroads into job creation and poverty alleviation. Bischoff & Wood (2013) as well as Jamali, Lund-Thomsen & Jeppesen, (2015) argue that the SMME sector has the ability to absorb the lower-end labour forces. For a country such as South Africa, this capability of the SMME sector is pertinent to alleviating poverty and reducing high unemployment levels and income inequalities. However, South Africa's SMME sector does not seem to be lucrative enough to alleviate the poverty in the country (Lehohla, 2014 & DTI, 2005).

The 2014 Global Entrepreneur Monitor (GEM) global report shows that adults in South Africa with businesses less than three years young have dropped from 10.6% to 6.97% from the previous year. Those that have been operational for more than three years have reduced from 2.9% to 2.8%. Only 4.5% of South African entrepreneurs offer 20 or more jobs.

Highlighted is the poor state of entrepreneurial development in South Africa, resulting in the SMME sector growth being too slow to make a meaningful impact in decreasing or alleviating poverty levels (Goldstuck, 2014; Singer, Amorós, & Arreola, 2015 & Herrington, Kew, & Kew, 2014).

Identified as well in the GEM report is that the low SMME activity levels are due to both personal and environmental factors. Personal factors would be the SMME's skills base which is important to them managing efficient and productive companies. But this skills base is seen as lacking and a huge constraint to their business sustainability (Herrington et al., 2014).

This poor skills base is seen to be as a result of South Africa's poor quality of education and training. Demonstrated in the 2014/2015 Global Competitiveness Index Report, South Africa has the worst educational system score in maths and science at 144th out of 144 countries (Herrington et al., 2014; Herrington et al., 2009 & Singer et al., 2015).

The environmental factor is South Africa having an enabling business environment, where individuals or citizens could be incentivised to become entrepreneurs as optional to seeking formal employment; as a result, this should produce increased SMME activity.

An over bearing regulatory and bureaucratic business environment will act as a barrier to entry to SMMEs in South Africa. For instance, the labour laws in South Africa are the most constraining for SMME growth because of the challenge to terminate employment even if the employee is unproductive (Herrington et al., 2014).

Noted in the GEM report is that another environmental factor restricting SMME growth is corruption. Corruption is reported as the "4th biggest problem for doing business in South Africa". SMMEs are forced to pay bribes to attain business (Herrington et al., 2014).

The GEM report suggests that government should provide large business with tax incentives to include SMMEs in their supply chains. Another suggestion is a tax incentive to large business to provide start-up capital, given access to funding is recognised as a barrier to entry for SMMEs in South Africa (Herrington et al., 2014).

1.2. Background to the problem

In attempt to restore the income imbalances in South Africa, created during the apartheid regime of pre-1994 to preclude black people from socio and economic participation (Ntim & Soobaroyen, 2013); the government of South Africa introduced Black Economic Empowerment (BEE) legislation, such as the Broad-Based Black Economic Empowerment Act 53 of 2003 (DTI, 2005) and Consumer Protection Act (CPA) 68 of 2008 (Government Gazette, 2009).

The engineering of the BEE legislation is to encourage economic participation of previously disadvantages individuals (PDIs), therefore respective SMMEs. The BBBEE Act, in relation to enterprise development encourages business to develop SMMEs and in this development would provide SMMEs the opportunity to participate in the country's economic market (DTI, 2005).

The Consumer Protection Act, in relation to consumer education and access of products and services to PDIs encourages business to educate and create appropriate products and services for this group of people. This in turn would encourage this group of people to participate in the country's economic market (Government Gazette, 2009).

In return for business's investment in PDIs, business would gain Black Economic Empowered (BEE) points. The BEE points, allows business to attain a preferred procurement status with government, therefore beneficial when transacting with public sector entities.

1.3. Purpose of the study

The purpose of this study is to investigate factors affecting corporate South African business strategies to support SMMEs. The factors considered in this study are two BEE legislation and approach deployed by business when providing products and services to PDIs in South Africa.

PDI and respective SMME economic participation as encouraged in enterprise development, found under the BBBEE Act 53 of 2003 (DTI, 2005) and consumer education and access to mainstream products and services, found under the Consumer Protection Act (CPA) 68 of 2008 (Government Gazette Staatskoerant, 2009).

How business deploys their products and services to the PDI or Bottom Of the Pyramid (BOP) market, consideration is given of application of a BOP concept, which proposes that large organisations should utilise SMMEs when deploying products and services to the BOP market (Prahalad, & Hammond, 2002).

In summary, the purpose of this study is to have insight of how these factors affect corporate South African business's strategic decisions to include SMMEs in their supply chains.

1.4. The BOP concept

The BOP concept is relevant within the context of South Africa because it encourages the use of SMMEs by large corporations in their deployment of products and services to the BOP market. It proposes that large corporations should approach the BOP market from a 'for-profit' perspective rather than only looking at it from a charity perspective (Prahalad, & Hammond, 2002).

The BOP proposition contends that there is money to be made at the BOP market and best achieved by using SMMEs (Prahalad, 2009). Practically, the concept proposes that large corporations should partner with SMMEs, who stem from these BOP communities, in their for profit strategies into these markets. The rationale given is that SMMEs have an integral knowledge of their own BOP communities; therefore, the partnerships would reduce logistical costs of accessing these markets (Prahalad, & Hammond, 2002) leading to win-win situations for large corporations, SMMEs and the BOP communities.

Oodith & Parumasur (2013) support the BOP concept and views it as the next best move for South Africa to alleviate poverty with the proviso that it be effectively applied. Therefore support of the view on the application of the BOP concept by large organisations in South Africa (Prahalad & Hammond, 2002; Prahalad, 2009; Oodith & Parumasur, 2013).

1.5. BBBEE

It is the Act's requirement under enterprise development for corporate South African business to invest in the PDI or BOP SMME market. In return for their investment and

compliance, they would earn compliance Black Economic Empowered (BEE) points. These compliance points would in turn have a business inducement which allows them for their respective BEE status points to receive preferential status when transacting business in South Africa (BEE Navigator, 2015 & DTI, 2005).

1.6. CPA

Consumer Protection Act aims to protect the rights of consumers in South Africa. There is an added requirement for consumer education and access of respective products and services to PDIs or BOP market, for which investment and compliance would earn business BEE points. As with the BBBEE Act, these points would gain them preferential status when transacting business in South Africa (Government Gazette Staatskoerant, 2009).

1.7. Significance of the study

The collective application of these three factors has not been conducted before in South Africa. The only publically available research conducted in South Africa in 2013, is an investigation on the BBBEE Act, specifically enterprise development of 60 of 100 listed Johannesburg Securities Exchange companies in South Africa. This report has provided insight into this study of the BBBEE Act, enterprise development factor consideration and its effect in the strategic decisions made by business in support of SMMEs (Methvin, Pichulik, Hofer, Jokeit, & Kissane, 2013).

The business contribution of this study is a collective view of how application of these three factors by corporate South African businesses support SMMEs. Potentially how the research results can be replicated for a broader application by corporates in South Africa to augment support to the SMME sector.

The academic contribution is that this study could be the beginning of an investigation of how these three factors together can contribute to a much larger scale towards support of SMMEs. Therefore this study could incite a deeper investigative understanding of how these combined factors can further contribution towards a broader or more profound support of SMMEs in South Africa.

In conclusion, is a consideration of how these three combined factors effect business's strategic decisions to include SMMEs in their supply chains in the South Africa. In this

support provide the SMME sector the much needed growth to have an impact on reducing the country's poverty and income inequality levels.

1.8. Research objectives

This research aims to identify the effect the three factors have on the strategic decisions of business, which support inclusion of SMMEs in the business supply chains. The investigation intends to reveal the practices businesses follow, in consideration of the three investigated factors, in their support of SMMEs. How these practices are supported in the literature review in Chapter 2.

1.9 Scope of Research

This research is limited to the aspects of the BEE legislative environment of South African and corporate's relationship with the BOP market.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The literature reviewed three factors affecting corporate South African business's support of SMMEs and therefore their contribution in combating unemployment, income and unequal distribution of products and services to the previously disadvantaged groups of South Africa.

For this research, this would be achieved in their compliance to the two investigated BEE legislation, being the BBBEE Act and Consumer Protection Act. It also examined application of a BOP concept in their provision of products and services to these groups (DTI, 2005; Government Gazette Staatskoerant, 2009; Prahalad & Hammond 2002; Prahalad, 2009).

Outline of this chapter conveyed the journey of Corporate Social Responsibility (CSR); from a philanthropic approach to a legislative requirement which acted as an incentive for a performance linked approach to CSR and the Bottom Of the Pyramid (BOP) concept versions of application.

2.2. CSR: Philanthropic versus Performance linked approach

Traditionally, there was an expectation from company directors to manage the company in the best interests of the shareholders (Milton Friedman, 1962). But this conventional view of Corporate Social Reasonability (CSR) was being questioned due to its exclusion of other stakeholders. Consideration of other stakeholders began with Freeman's (1984) stakeholder theory. In this theory, the company is expected to consider the interests of other stakeholders and not just those of the shareholders; stakeholders such as employees, the social communities and the environment (Esser & Dekker, 2008).

The CSR evolution of change started in the 1960s; three waves of pressure started with realisation that natural resources, the environment consideration, are not limitless. This resulted in an influx wave of environmental legislation in the 1970s. Then the wave of change for company developmental processes to be more sustainable in light of issues such as ozone layer depletion and rainforest destruction.

The 1980s saw a sustainability development wave of change, driven by global pressures from the likes of the World Trade Organisation, World Bank International Monetary Fund, G8 industrialised countries and World Economic Forum on corporate governance for sustainable development (Henriques & Richardson, 2004).

South Africa enacted a new Companies Act of South Africa number 71 of 2008 following this changing global trend on corporate governance issues. This led to a collated effort by companies in South Africa to create the King III Report (IoDSA, 2009). Historic background to the King Reports; it started in 1994, with the King I Report which noticeably looked wider than just financial reporting but took an integrated approach to reporting, considering other stakeholders other than shareholders. In 2002, the King II Report was created moving away from a single bottom line approach, only considering company performance activities, to a Triple Bottom Line (TBL) approach which considered the economic, environmental and social sides to a company's business activities (Cliffe Dekker Attorneys, 2002).

The TBL approach, as viewed by Cummings & Worley, (2009) saw it as a multidimensional consideration to CSR. It required the organisation to change as influenced by its economic, environmental and social value pressures. This effectively meant that in business driving their company objectives; it should not be done at the expense of the environment and society (Cummings, & Worley, 2009).

The TBL discussion began with John Elkington, (1994) cited in Henriques & Richardson, (2004) on sustainability, proposing an integrated approach to business to effect material environmental progress. This TBL drive emanated from consumer and market pressures on corporates to consider the environment, pressure resulting from a global shift in human and societal values. In addition to these human and societal values were technological advancements which provided an easier mode for different stakeholders to access information. This facilitated the growing worldwide need for companies to be transparent, a 'cradle to grave' type of transparency which required information from how the raw materials were extracted to how companies disposed or recycled their waste (Henriques & Richardson, 2004).

Research conducted by Sonnenberg & Hamann, (2006) provided insight into the state of sustainability reporting in South Africa. They created a sustainability index, Johannesburg Securities Exchange (JSE) Socially Responsible Investment (SRI) Index, which was launched in May 2004. The index provided a framework for the 160

JSE listed companies to assess their systems for sustainability management. Findings were that even though progress was made on sustainability in scope and reporting, there was an unacceptable absence of comparable quantitative information, therefore an uncertainty on the impact of the SRI's on the financial community (financial services sector). The SRI then represented only 1% of investments under management. Concluded was that for SRI to become a 'potent force' for corporate citizenship, the South African financial community had to comprehensively engage on the triple bottom line approach (Sonnenberg, & Hamann, 2006).

The King III Report defined corporate social responsibility (CSR) as "the responsibility of the company for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour" (IoDSA, 2009). The World Economic Forum defines CSR as the business's corporate citizenship taking consideration of their labour force; application of corporate governance and ethics - the corporate values, transparency and accountability; contribution to enterprise development and community investment and responsibility to the environment, for instance cleaner production processes (World Economic Forum, 2002).

Jamali & Mirshak (2007) provided an integrated approach to CSR combining Carroll's (1979) four-part definition of CSR and Wood's (1991) conceptualisation of beyond CSR. Carroll's (1979) CSR four parts are: 'economic', in terms of return on investment for instance to investors or shareholders; 'legal', in terms of 'playing by the rules of the game' would refer to the law-abiding corporate citizens; ethical, which relates to corporates 'doing what was right, just, and fair' and 'discretionary', which refers to the organisation's decision to give back to its communities or society.

Wood's (1991) conceptualisation of beyond CSR reviewed it beyond a 'stand-alone' concept but deeper into the organisation's specific 'configuration of principles of social responsibility from an institutional, organisational and individual basis; processes of social responsiveness, from an environment assessment, stakeholder and issue management basis' to a measurable element of social impact stemming from its social programmes and social policies (Jamali & Mirshak, 2007).

Jamali & Mirshak's (2007) integrated approach provided a view of how ideally the CSR investment could be interlocked with performance areas within the business.

In this integrated approach, aligning CSR to business's performance would result in a win-win situation for both the business and its CSR benefactors, required was that

business needed to take a long term-view for better sustainability (Jamali & Mirshak, 2007).

In support of Jamali & Mirshak (2007), Phillips (2003) in Harrison & Wicks (2013) stated that stakeholder theory (Freeman, 1984) was the connection between ethics and strategy. Harrison & Wicks, (2013) argued that managers would see value in including other stakeholders other than shareholders, if it was connected to the performance of the company. Therefore, they advocated a stakeholder-based performance measure, which connects the operational manager performance pursuit of business to the broader stakeholder groups for their role in creating value to company (Harrison & Wicks, 2013).

The argument made in Harrison, & Wicks, (2013); Adam Smith (1776) postulated that companies would follow their own interests in pursuit of profits. Milton Friedman (1962) argued that the business should only pursue activities that are best for the business. These combined views, proposed that managers in their self-interest pursuit of company profits would only consider activities that would benefit the business therefore a consideration of other stakeholders would depend on their value creation towards the business (Harrison, & Wicks, 2013).

Barnet, & Salomon, (2012) provided a view that Corporate Social Performance (CSP) and Corporate Financial Performance (CFP), are both positively and negatively correlated. Positively as per Freeman's (1984) stakeholder theory and negatively aligned as per Friedman's (1962) view that social responsibility belongs to government not business. Their position was that both scenarios were plausible depending on how capable each business was at making profit from their social investments, the business accrued Stakeholder Influence Capacity (SIC).

This effectively meant that it dependent on how business was able to exploit its stakeholder's for the benefit or profit of the business. SIC could be an increased ability to expand into new markets or convince current markets to buy more from them. It could include reduced operating costs from increased efficiencies in social programs. Their study developed a contingent model, a U-shaped relationship between CSP and CFP which was a balance between the cost of social investment and extraction of the accrued SIC from such an investment (Barnet, & Salomon, 2012).

Therefore from this SIC based model, businesses with the highest CSP would have the highest CFP over a certain time range. Over this time range, the return to CFP would be subject to a learning process, of which initially the CFP would be negative from CSP spend but as knowledge accumulates the CFP benefits would overrun the CSP investment costs (Barnet, & Salomon, 2012). Apospori, Zografos, & Magrizos, (2012) agreed that CSR activities must consistently be part of a business's strategic business model and a result of a long term commitment. The limitation to the SIC based theory was testing the time range of low or high CSP versus low or high CFP of which further study was recommended to use different SIC proxies to test each result (Barnet, & Salomon, 2012).

The counter argument in Jamali, & Mirshak, (2007) was that the link with performance was non-existent as business would have an incoherent approach to CSR which was not linked at all to their strategy or performance. CSR would be a 'legal tick box exercise' to appease their shareholders and relevant third parties such as government to safeguard their reputation and image of being good corporate citizens (Jamali, & Mirshak, 2007).

In the Ahuja, (2012) case study demonstrated a successful inclusion of CSR as a major part of a business model yielding returns to the business. Their assistance had a ripple effect of not only creating value for their immediate poor communities but spread to affect the broader communities (Ahuja, 2012).

Rhodes, (2014) noted that the ultimate responsibility of business was not to act dishonestly or fraudulently but to do what would be best for the business, which included being law-abiding citizens (Rhodes, 2014).

In summary, the traditional approach by business of a single bottom line approach at the exclusion of other stakeholder was changing upon global pressures to include other stakeholders. Emerged was John Elkington's, (1994) cited in Henriques & Richardson, (2004) Triple Bottom Line (TBL) approach, which took cognisance of the economic, social and environmental facets in business activities. Jamali, & Mirshak, (2007) proposed an integrated approach to business which linked business' corporate social responsibility with performance. Argument against was that business would have an incoherent approach to CSR therefore not link it at all to their operational model or form part of their strategy.

Jamali, & Mirshak, (2007) was supported by Harrison & Wicks, (2013) who advocated a stakeholder-based performance measure based on the value created by stakeholders to the business performance. Barnet, & Salomon, (2012) provided a U-shaped framework of the relationship between a business's Corporate Social Performance (CSP) and its Corporate Financial Performance (CFP) on the premise of how well the business was able to extract value from its stakeholders, their Stakeholder Influence Capacity (SIC). Therefore the highest CSP would have the highest CFP over a certain time range. Apospori, Zografos, & Magrizos, (2012) conceded to both Jamali, & Mirshak, (2007) & Barnet, & Salomon, (2012) of inclusion of CSR as an integral part of a business' operating model with a long term view to yield sustainable results for both relationships. Rhodes, (2014) affirmed that above all it was not in the best interest of the business to act dishonestly or frequently.

2.3. CSR: Legislative

Section 9 of the South African Bill of Rights on equality included citizens enjoying full and equal rights of the freedoms provided in the country. To promote equality, legislative and other measures were designed to protect and advance persons or categories of persons disadvantaged by unfair discrimination of the past (DTI, 2012).

This established South African's legislative requirement to its companies to take the interests of these stakeholders, previously disadvantaged individuals, into consideration in their business activities. Some of these legislations included the Labour Relations Act 66 of 1995; The Promotion of Access to information Act 2 of 2000; the Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act) and the Consumer Protection Act 68 of 2008 (Esser, & Dekker, 2008).

To illustrate legislated CSR of a similar country to South Africa, similar in the dynamics of its poor citizens was research done by Ray (2013) of India's developmental state after two years of legislated CSR. Initially enacted was that public sector companies would contribute 2% of their net profit towards CSR activities. This later progressed to include private sector companies (Ray, 2013).

The legislator found this enactment necessary because they saw opportunity in businesses to fund the country's social development needs, which were currently not sufficiently addressed by government's distribution mechanisms. The legislation required profit-making public sector entities to spend 2% of their net profit on CSR.

Sustainable development was defined as utilisation of current resources to feed the needs of the present nation without sacrificing the future generation's resource requirements (Bruntland, 1987 cited in Ray, 2013).

Findings from this research were firstly, there needed to be an engagement between government and business and business and community, for a coordinated CSR management and community relevant assistance. Secondly, there were not enough CSR measuring mechanisms in place in public sector entities mostly due their lack of resources. Thirdly, the resources deployed to manage CSR were equipped with unrelated skills set which did not relate to sustainability, and thus, misalignment with CSR objectives of the country. Fourthly, there was no collated management of CSR projects within the same company; therefore there was no collation of data such as list of non-profit organisations in certain communities. The CSR guidelines from government provided the funding aspects to CSR but lacked the sustainable development connection to CSR (Ray, 2013).

It is not known to what extent this applies in South Africa but it assists to justify the rationale for this study.

In summary, to protect the freedoms of equality in South Africa, the government enacted the Black Economic Empowerment (BEE) legislation. The legislative intent was inclusion of the previously disadvantaged individuals into the country's economic markets (DTI, 2012). In Ray, (2013) demonstrated was how a government was able to utilise profit making public sector companies and private sector to fund CSR activities. It also demonstrated that in addition to the government providing guidelines of how to extract the funding from business they also needed to have appropriate resources to manage the process and measure the sustainable development connection to CSR.

2.4. BEE Legislation

The first investigation into the Black Economic Empowerment (BEE) legislation process was started in 1998 with the objective of reaching an all-encompassing coordinated approach to economically empower Previously Disadvantaged Individuals (PDIs). Dansereau, (2010) identified this South African legislative reform stemming from the spirit of CSR.

BEE was legislated in January 2004 as the Broad-Based Black Economic Empowerment Act 53 of 2003 (DTI, 2005). This act was viewed as a vehicle to reverse the injustices of the past through the economic empowerment of PDIs. The Act was perceived as a creditable economic policy with the potential of contributing to the social transformation of South Africa (Patel & Graham, 2012).

In 2007, after a process of consultation with business and union leaders, the BBBEE Act seven codes of good practice was published. The corporate members of the Institute of Directors of South Africa (IoDSA) agreed to the BBBEE Act in principle from a moral and ethical perspective. They generally accepted that corrective steps had to be taken towards addressing the inequities of the past of which were not good for the country's image and impeded business in the global arena (Ertner, 2013 & IoDSA, 2009).

The 2007 seven codes of good practice included transformational ownership; management control; workforce employment equity and skills development; preferential procurement from previously disadvantaged individual's (black) businesses, Small Medium Micro Enterprises (SMMEs); enterprise development of these SMMEs under social economic development (Ertner, 2013).

The definition of SMME by the Department of Trade and Industry (DTI, 2005) are enterprises other than large enterprises or corporations in South Africa or state owned entities. These enterprises would primary be in a survivalist mode of operation existing in the formal and informal sector. These enterprises or SMMEs would include start-ups or new ventures as well as businesses in distress. They are characterised as family owned, black owned, women owned and cooperatively owned enterprises.

Compliance to the BBBEE Act would earn business compliance (BEE) points resulting in a BEE status level, of which BEE status level could afford business a preferential

status level when transacting business in South Africa. For instance enterprise development, business could score up to 15 points. To attain the highest BEE status level, BEE Level 1, required business to earn a hundred or more points in compliance (Ertner, 2013; The Institute of Enterprise Development, 2015 & BEE Navigator, 2015).

Given the specific attributes of different economic sectors, compliance with the Act was monitored through sector specific transformation charters. The government does not monitor each company's BBBEE status; companies are required to verify their BEE compliance levels with agencies registered with the South African National Accreditation Systems (SANAS) and the Independent Regulatory Board for Auditors (IRBA). SANAS and IRBA who are empowered to issue BBBEE status level certificates renewable annually (DTI, 2005, Ertner, 2013; The Institute of Enterprise Development, 2015 & BEE Navigator, 2015).

The BBBEE Act was criticised that it lacked broad based economic empowerment effectiveness, specifically on black ownerships. It was accused of being a transformational façade and riddled with tokenism. Arguments were that its implementation was only enriching a few black elites and therefore was not the broad-based empowerment vehicle it was intended to be (Patel & Graham, 2012). This phenomenon was also cited by deputy president, Kgalema Motlanthe, in February 2010, that only a select few black elites were benefactors of BEE deals, therefore threatened to tighten the BEE legislation to affect broader based empowerment from such transactions (Dansereau, 2010).

In relation to broad-based empowerment vehicles such as non-governmental organisations, education trusts, employees' youth and community trusts, their benefits were marginal, ranging between 6-14% compared to total BEE deals. These empowerment deals were also seen to favour empowerment partners (equity holders) more than individual employees of the BEE deals. The highest noted employee deal was the MTN 2010 BEE deal which reached 29% broad-based beneficiation as an 80% discounted public offering (Patel & Graham, 2012).

Of these deals in relation to SMMEs, a secondary data analysis of BBBEE contribution towards ownership transformation from 2004 to 2009 and of completed BEE deals were 1 399. These deals amounted to R96 million. However the analysis of large company contribution to SMME capability development was found to be minimal. The deals were found to be complicated and lacked the necessary transparency.

As such, the BBBEE Act remained seen as an ineffective tool of true transformation and poverty alleviation (Dansereau, 2010 & Patel & Graham, 2012).

English & Le Jeune (2012) advocated a positive effect of BBBEE Act in their investigation of the effect of the South African Construction Sector Broad-Based Black Economic Empowerment (BBBEE) Charter of 2006. Women industry representation was 8.2%, two thirds of these women were in support roles versus being in managerial or technical roles. Compared to other countries, the United Kingdom and United States of America, the statistics showed a respective 10% and 9.7% women representation in the industry. Findings strongly highlighted that the largest support for women in this industry came from the Broad-Based Black Economic Empowerment Act (BBBEE) - Reconstruction and Development Programme, driving the rapid advancement of black women at all levels in the industry. Highlighted as well was that businesses in the industry were lagging significantly behind in achieving gender equality (English & Le Jeune, 2012).

Esser & Dekker's (2008) research also advocated a positive effect of the BBBEE Act on good corporate governance, specifically to the director's responsibility for the protection of stakeholders, other than shareholders.

The new DTI codes were introduced in 2013, which reduced the codes to five. This included combining procurement with Enterprise development and Supplier Development (ESD), which together accounted for a third of the BEE scorecard and noted as a 'priority element' (Ertner, 2013).

In these new codes, enterprise development was only for enterprises (SMMEs) from previously disadvantaged communities. The intention was to establish and development them to afford them the opportunity to access markets. In accessing markets, allow them the opportunity to participate in economic markets. This in turn would reduce poverty as these businesses gain access to economic markets the ripple effect would be increased living conditions for their families and communities (Methvin, Pichulik, Hofer, Jokeit, & Kissane, 2013).

Highlighted particularly in the new DTI codes, was inclusion of these enterprises or SMMEs in business supply chains. As defined in the BIAC, 2015 G20 agenda contribution, SMME inclusion in the supply chains meant being part of an integral part

into the final product and service delivery to the business's end customer (DTI, 2012 & Pfeiffer, 2015).supply chains

Illustrated by Pavlo Phitidis' statement, the chief executive officer of Aurik Enterprise and Supplier Development, to the reason government introduced inclusion of SMMEs in business supply chains was that "It is in the small and medium business sectors that jobs will be created. There are no other environments that will generate employment and growth at the scale South Africa so desperately needs," (Engineering News, 10 June 2015).

Supported by Apospori, Zografos, & Magrizos, (2012), they affirmed that medium small enterprises have a critical role to play in large companies' supply chains as their activities have a broader social and environmental community impact, which is critical for an emerging country such as South Africa.

In the new DTI codes, the ramifications of non-compliance for business were noted as high with regards Enterprise and Supplier Development (ESD). If a large corporation was found non-compliant to any one of the priority elements, of which included ESD, they would be marked down two points on their BEE scorecard. To incentivise business, three BEE bonus points could be earned by business, one for creating new enterprises, two for graduating them from enterprise to supplier and three for new employment facilitated in the enterprises and suppliers (DTI, 2012).

Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013), the Impact Amplifier Report, illustrated the focus corporates needed to have under the new DTI codes with regards to ESD. The study surveyed 60 of South Africa's Johannesburg Securities Exchange listed companies. Noted from this research was that the corporate enterprise development investment had not realised the underlying objective of the BBBEE act. Reason given was that corporates had not fully utilised the enterprise development investment as a means of achieving their strategic objectives or to unlock their transformative potential. But given the new DTI codes, corporates were pressured to start considering their enterprise development investment in a more strategic manner in relation to their core business segments, particularly in relation to their supply chains. Noted was that companies considering the new DTI codes as a tick box exercise would struggle under this legislation.

Highlighted from this study was that there are issues that are limiting the socio economic impact of enterprise development in South Africa: Misalignment of the BBBEE Act's intentions and corporate's strategic implementation. Very few corporate are Business Development Services (BDS), such as financial literacy training, mentoring and business incubation was positioned around enterprise development strategies. In bulk, most company's enterprise development was in a form of financial assistance (72% of the respondents). Where BDS was offered, found was there was a 'stronger connection to suppliers and local community initiatives' (Methvin, Pichulik, Hofer, Jokeit, & Kissane, 2013).

The SMMEs business skills gap, which required more time and resource investment, therefore had made many corporates hesitate to align enterprise development to core supply chains. It was perceived as too risky and opted for procurement services that required less risk management such as drivers, office cleaners and caterers (Methvin, Pichulik, Hofer, Jokeit, & Kissane, 2013).

There were limited measurement frameworks utilised by corporates to measure their enterprise development applications. Measurements were not based on the broader community or national impact but rather simple metrics on investment amount or the number of jobs created therefore missing out on the internal learning potential. As a consequence, there was no direct link between enterprise developments to business's core business (Methvin, Pichulik, Hofer, Jokeit, & Kissane, 2013).

The concluding findings from Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013) were that even though transformation was perceived as an important consideration within business, most interviewees admitted that enterprise development would not have been a strategic consideration other than compliance to the BBBEE Act. Recommended was that corporates should follow an impact investment approach to enterprise development therefore build sustainable SMMEs whilst driving their own business interests (Methvin, Pichulik, Hofer, Jokeit, & Kissane, 2013).

On the measurement of CSR management a study by Hermani, Hamann, Tarazona & Afonso, (2014) was noted as it provided an instrument that was able to reflect on the triple bottom line effect (economic, social and environmental management), as measured for medium small enterprises (MSE). The study was a quest for theoretical application and tested among 506 university students in Peru. The measurement tool was validated, which used a 'Graded Response Model (GRM)' from a Bayesian

approach on Item Response Theory (IRT). The validation was based on psychometric characteristics, for example skills levels, of the tools in measuring the perceptions of sustainable development of MSEs. The perceptions were able to define adequate policies to manage MSE sustainable development, in economic, social and environmental management. Another contribution from this study was that the effort of CSR in an MSE would be in principle be the same as in any large corporation, therefore the lessons learned would be applicable in a large corporation (Hermani, Hamann, Tarazona & Afonso, 2014).

Aligned to enterprise development support by large corporations, Grundling's (2011) study of 5 676 South African SMMEs revealed that very few SMMEs were aware of any large corporations that could or were providing support to SMMEs. Ninety four per cent (94%) of these SMMEs never used such support. The study also revealed that of those SMMEs that had requested assistance from larger corporations, 11% were not successful in receiving the requested support. The limitation apparent in this study was that there was neither a clear distinction between formal and informal SMMEs nor an indication of which one was more prevalent to the above views. What this study provided was an opportunity to investigate the possibilities that lie between large corporations and SMME partnerships under enterprise development (Grunling, 2011).

Overall, adherence to the BBBEE Act, with specific emphasis on enterprise development was one of the factors investigated. The legislation was enacted to correct the unequal treatment of the previously disadvantaged individuals and to ensure their economic inclusion through the Act. There was criticism that it had thus far only benefited the select black elites, at the exclusion of the broader community of the previously disadvantaged individuals therefore had failed as a transformational tool.

The new DTI codes have focused business toward enterprise and supplier development, objective being to include SMMEs in business' supply chains. As seen in the BIAC 2015 G20 agenda contribution (Pfeiffer, 2015), this meant being part of the final output of business's delivery to its clients.

In summary, Black Economic Empowerment (BEE) legislation process was started in 1998. In January 2004, the Broad-Based Black Economic Empowerment Act 53 of 2003 was enacted. Enterprise development under the Act was intended to include enterprises from Previously Disadvantaged Individuals (PDIs) to have access to the country's economic markets. Compliance to the act would earn business compliance

(BEE) points resulting in a BEE status level (DTI, 2005 & Ertner, 2013). The Act was criticised on ownership as an ineffective tool towards broad based black empowerment as it only favoured a small group of black elites (Dansereau, 2010 & Patel & Graham, 2012). English & Le Jeune (2012) & Esser & Dekker's (2008) provided positive account of the act on gender equality in the construction industry and on corporate governance. In 2013, the new DTI codes were introduced, with a specific requirement for business to include SMMEs as part of their supply chains (DTI, 2012). Pfeiffer, (2015) explained that inclusion in supply chains meant being part of an integral part of the final output. Methvin's, et al, (2013) recommended to business to start giving this new legislation strategic attention with inclusion of SMMEs in supply chains as it would not suffice to only treat it as a tick box exercise.

2.5. CPA

The CPA addressed protection and empowerment of consumers, most especially those with low education and low income individuals. In South Africa, CPA was intended to promote economic access and participation of PDIs which was enabled through consumer education while also reducing unfair practices by educating the consumers on their rights of recourse against producers or manufactures (Ardic, Ibrahim & Mylenko, 2011; Jacobs, Stoop & Van Niekerk, 2010).

As a globally accepted legislation, research conducted by Ardic et al. (2011) demonstrated that out of 142 countries, almost all had some form of CPA legislation but lacked the monitoring and enforcement capacities necessary, mostly due to lack of resources.

The presupposition with CPA in South Africa was that PDIs are more likely to make bad purchasing decisions due to their low education levels. They are perceived as more susceptible to unscrupulous marketing and sales strategies due to the existence of information asymmetry, between them and merchants, leading to a need for legislated protection. The CPA legislation aimed to reduce the information asymmetry and power imbalances between providers and their respective users, especially the PDIs, therefore the CPA was provided through stipulations for consumer education and access to information, training and education such as financial literacy. Consumer education was defined as educating the consumers on what, where, when, how and how much to purchase and use the product or services purchased (NOS.org, 2015; Government Gazette Staatskoerant, 2009; Ardic, Ibrahim & Mylenko, 2011).

Wilson, (2011) proposed that legislative intervention was necessary to protect vulnerable low-income consumers from their susceptibility to high-cost manipulative credit because they did not have access to conventional financial services. The argument was that government and the respective financial sector had a role to play for financial inclusion of this group of consumers and in the context of South Africa these would refer to the previously disadvantaged individuals. Therefore their inclusion in financial services could not be achieved through CSR alone, but required legislative invention. The argument was that through developmental financial institutions, this group of consumer would receive the necessary financial inclusion.

Akinbami's (2011) research of the United Kingdom's financial services sector also supported an interventionist approach. The research conceded that human beings exhibit a reasoning feebleness therefore resulting in their inferior decisions. Therefore, in their best interest, governments should take an interventionist role for consumer protection.

In consumer education, South Africa's target markets are income groups Living Standards Measure (LSM) 1 – 5. The LSM scale was utilised to indicate the income or wealth status of a group of individuals. There are 10 levels, level 1 denoting the least wealth and 10 the most wealth. This wealth measure was determined by a household's spending threshold for certain baskets of goods and services (Martins, 2004).

The Access legislation required that for these previously disadvantaged groups of consumers, appropriate products and services needed to be made available. The requirements are very prescriptive for instance, specifics on transactional proximity of delivery of services to the designated group, transactional had to be within 15 kilometres; services within 10 kilometres and sales within five kilometres from the designated group market (Bouhail, 2012 & DTI, 2015).

Brix & McKee (2010) suggested that access to financial services sector products could result in substantive benefits to poor households. Such products could include financial literacy education. This research also conceded that consumer protection was not the only way of protecting consumers but could also, through industry codes of conduct, contribute towards treating customers fairly.

Mugobo and Malunga (2015) referred to the size of the business an impediment to consume education due to its lack of resources to do so. The converse also applied where an educated consumer would have knowledge of their rights of recourse; therefore required was a measure to balance the information asymmetry and power between consumer and provider.

Bouhail's, 2012 survey revealed that financial services sector was one of the first sectors to adopt consumer education from 2008. Therefore through its sector charter, the financial services sector agreed to contribute 0.2% of their annual post-tax operating profits towards consumer education initiatives. Subsequently, the financial services sector codes were enacted in 2012, and were recently amended to align to the new DTI codes of 2013 (Bouhail, 2012 & DTI, 2015).

Findings from the Bouhail (2012) survey included a lack of effectiveness in consumer financial education initiatives due to a lack of coordination and consistency in the legislation on consumer education. Internal governmental departments were not aligned with their consumer education mandates. The financial sector consumer education programmes in South Africa were thus not coordinated and lacked the necessary budgetary focus to enable their effectiveness.

In summary, CPA was a global phenomenon for the protection of consumers, but governments lacked the monitoring and enforcement capacities due to a lack of resources (Ardic et al. 2011). South Africa's CPA legislation required business to provide consumer education and access of products and services to previously disadvantaged consumers (DTI, 2015). Consumer education was necessary for the protection of previously disadvantaged low income consumers from the information asymmetry that existed due to mostly low literacy levels (DTI, 2015 & Martins, 2004). Bouhail (2012) provided an account from the financial services sector on consumer education and noted government's lack of coordination and internal misalignment. Consumer access was to facilitate the economic participation of this group of consumers in the country's mainstream products and services (DTI, 2015). Wilson, (2011) & Akinbami's (2011) proposed that it was necessary for government intervention for the protection of these vulnerable group of consumers because they are more likely to make inadequate purchasing decisions.

2.6. BOP concept

The Bottom Of the Pyramid (BOP) concept was first established by Prahalad and Hammond, (2002) who proposed that large corporates utilise SMMEs when deploying their products and services to BOP markets as this would be the most cost effective way of doing business in the BOP market. The BOP market represents literally the bottom of the pyramid of society or low income earners in society. In the context of South Africa, refers to the previously disadvantaged group of individuals, who represent South Africa's BOP.

Prahalad, (2009) proposed that business would be incentivised to do business in the BOP market because it was an untapped market where large corporations would have opportunity to make their riches in. The BOP market was noted as representing a large market, at 4 billion people with a purchasing power of \$5 million, therefore possibility of scale for products and services.

Kolk, Rivera-Santos & Rufin, (2012) & Karnani, (2007) argued against the findings of Prahalad & Hammond's (2002) and Prahalad's (2009) in their first presuppositions, that there were disparities in their BOP definition; the size of the market; the poverty purchasing parity and application of the concept. Their supposition was that there were no riches at the bottom of the pyramid and the BOP recipients would not benefit from such indicated undertakings. Karmani criticised the population size of 4 billion with a purchasing power of \$5 million as flawed. The location of the market, at a poverty level of less than \$3 000 per year was flawed. In 2007, Hammond reinforced the size and purchasing power numbers from his study with Prahalad, in the collaborated work with the International Finance Corporation (Schwittay, 2011).

Kolk, Rivera-Santos & Rufin's, (2012) research also revealed that in most instances, the BOP consumer solutions were not specifically engineered for the BOP market but rather were an adaptation of already existing products and services, only adjusted in size and cost to fit the BOP market. The BOP community was therefore not included in the decision-making or innovative process of creating their bespoke product and service solutions.

Karnani, (2007) provided an alternative proposition to the BOP concept. Karmani (2007) proposed that large corporations rather purchase or procure from the BOP suppliers rather than sell to them given that the presuppositions of Prahalad &

Hammond (2002) and Prahalad, (2009) were flawed. Therefore by purchasing from the BOP market this then would be the solution to reduce this market's poverty levels versus the BOP concept proposed by Prahalad & Hammond (2002) and Prahalad, (2009).

Hahn (2009) proposed an integrated approach, which combined the work of Prahalad & Hammond (2002) and Karmani, (2007). The combined proposition was that BOP enterprises or SMMEs should be utilised by large corporations in selling to the BOP market and procure from SMMEs who come from the BOP markets as then both approaches would add towards alleviating poverty in these BOP markets.

Majumder, (2012) was critical that in application of the BOP concept, poor people would be purchasing products and services from already depleted income streams without there being any reciprocation therefore leaving them worse off. Majumder, (2012) concluded that even though the BOP concept was well accepted by markers, the framework does not take a full and comprehensive account of existing poverty layers and class conflicts within the BOP market itself to be able to differentiate in its approach to the BOP market.

Olsen, & Boxenbaum, (2010) conceded that in as much as the BOP concept was widely supported by the academic fraternity, there were very few examples of its implementation by business. There were some examples found in this literature review which substantiated the account that there were some examples of implementation of the BOP concept. An example was found in the case study by Schwittay (2012) of high technology companies who adopted the BOP concept encouraged by the work done by Prahalad & Hammond's (2002) and Prahalad's (2009). Findings were that in their provision of access of products and services, e-inclusion, utilising BOP enterprises or SMMEs, they were able to turn a profit from these activities.

Another example of a BOP concept utilisation was the case study by George & Khoja, (2012), which demonstrated that through an innovative business model, Affordable Business Solutions (ABS), a medium sized company attained competitive advantage from providing information technology solutions to BOP small businesses. ABS provided the service on a subscription-based model, software-as-you-use-service (SaaS). ABS's business model was also noted as a 'social connector' as it connected suppliers with buyers in the BOP market. This case study not only supported the work done by Prahalad and Hammond's (2002) but also the work done by Karmani (2007).

In relation to South Africa, Oodith and Parumasur (2013) proposed that a BOP concept application was a feasible solution to alleviating poverty in South Africa only if it followed an efficiently implemented process. A process that was bespoke to the South African market dynamics; thus this study advocated the applicability of the BOP concept in the context of the South African business environment.

Ansari, Munir, & Gregg, (2012) provided an alternative version of the BOP concept; a more socially embedded and community-centric BOP approach, of which work stems from work done by Amartya Sen's (1983 & 1985) on capability development. Amartya Sen defined development as a process of increasing real freedoms (Sen, 1990). Lack of freedoms was defined as insufficiencies due to, for instance, deprived economic opportunities or systematic societal scarcity (Sen, 1999).

Ansari, et al (2012) argued that initiatives with the BOP market should be judged in accordance to whether they provided a capability transfer. The initiative must have facilitated a social capital transfer between the BOP community and other rich resourced networks. The transfer must not erode any existing social capital within the community networks.

Berger, Ju Choi, & Boem Kim, (2011) provided another angle to social capital which was from the perspective of local managers. The argument was that multinational companies should appreciate the use of local managers when doing business in foreign BOP markets. They conceded that local managers have valuable knowledge and close association with the local BOP markets because they come from such markets. Strategic development of social capital would then gain the business access to these resources, from access to the market to information about the market, through the local manager's social networks (Seferiadis, Cummings, Zweekhorst, & Bunders, 2015, & Berger, Ju Choi, & Boem Kim, 2011).

In summary, Prahalad & Hammond (2002) & Prahalad, (2009) proposed that there are riches at the Bottom Of the Pyramid of which through the use of SMMEs, large corporations can take advantage of them. Majumder, (2012) argued against the BOP concept that it would leave the poor poorer as there would be no reciprocation in the concept's application. Kolk, Rivera-Santos & Rufin, (2012) & Karnani, (2007) argued that Prahalad & Hammond's, (2002) and Prahalad's, (2009) presuppositions are wrong about the BOP market. Karmani, (2007) provided an alternative to the BOP concept,

that rather large corporations procure from the BOP market to reduce the BOP market's poverty levels. Ansari, et al (2012) provided an alternative version of the BOP concept one that increased the social capital of the broader BOP community through business driven initiatives. Berger, Ju Choi, & Boem Kim, (2011) provided a twist to the Ansari, et all (2012) version and suggested that multinational companies should utilise local managers to attain the BOP market's social capital which was assess and information when doing business in BOP markets.

2.7. Connecting the research factors

Singh, Bakshi, & Mishra, (2014) provided a link between CSR and BOP initiatives. A qualitative study of 21 businesses and their respective partner CSR companies in India, suggested that market development (BOP projects) was augmented using CSR. They advocated that using the theory of market separation, CSR augmented the BOP project: it reduced the risk in the BOP project; cloaked as a CSR project, employees were easily rallied for the BOP project; including the BOP community in the 'last mile' of the supply chain added traction for the BOP project; partnering with government augmented the business efforts for the BOP project and the BOP activities added to the development of BOP consumption and supply. Even though the linkages were found, companies interviewed applied CSR in an unfocused manner; therefore their CSR efforts were incoherent and fragmented. CSR was found to be done only to appease stakeholders, peers or in compliance to a government mandate or legislation.

Research showed in Gollakota, Gupta, & Bork, (2010) that even though there was a global drive for companies to service the BOP market, companies were not able to do it profitably. The suggested strategies were that companies undertake an in-depth cost management strategy, which required reengineering of their operations to service the BOP market. It also included finding value creating partners which created inclusive distribution channels; both involving participation of BOP enterprises and individuals. Revealed was that it was cost effective to include BOP enterprises in their distribution channels, which supported Prahalad & Hammond's (2002) BOP framework.

Prahalad's, (2011) augmented the work of Prahalad & Hammond, (2002) and Prahalad, (2009) by advocating that BOP was a source of breakthrough innovations, therefore even more reason for business to pursue profits in the BOP market. The view of BOP as a source of breakthrough innovations, stemmed from the focus global companies gave in creating solutions for the BOP market and in doing that they

produced breakthrough innovations. This consideration was not just from a product innovation perspective but also from a business systems perspective – alternative sales and production means, therefore a total value delivery. Suggested by Prahalad, (2011) was for global companies to enable breakthrough innovations, they could not apply the conventional 4Ps of marketing (product, place, price and promotion) but would need to apply his ‘4As’.

The 4A’s: companies needed to create awareness, provide access and make the products and services available even to the remotest parts. Companies also needed to make sure that the products and services were affordable to BOP consumers. All of which concurred to the CPA legislation on consumer education and access of products and services to PDIs in the South African context (Government Gazette Staatskoerant, 2009). What companies found most challenging was the affordability aspect, which fitted with Gollakota, Gupta, & Bork’s, (2010) suggestion that business needed to reengineer their operating systems to be cost effective when accessing the BOP market. Prahalad, (2011) concluded that it was imperative that the global companies’ accessed BOP markets as that would sharpen their competitive shrewdness, derived from lessons learned from their operations in the BOP markets.

Prahalad’s, (2011) view was supported by Shyle, (2011), based on an economist’s view that in the next 5 years the average growth rate would be smaller than the last 15 years, therefore companies had no choice but to access BOP markets. From their experimentation in these BOP markets, companies would capture competitive making opportunities, therefore his view that BOP was a source of innovation.

Basu, (2011) advocated an architectural type innovation, an operating tool to use when accessing BOP markets. This tool was based on the argument that it allowed for experimentation given the unsophisticated BOP consumer who would be less likely to pursue legal action were product quality was questionable. The market was large, as estimated by Prahalad, (2009) at 4 billion people, therefore provided for quick product and service scale opportunity for the global companies.

Sinha, (2013) took it a step further by advocating the concept of reverse innovation, where products were engineered for BOP markets but transposable into the broader world markets. Therefore this research revealed that global companies seeing this trend that in the BOP’s ‘disruptive and frugal innovation’ there was opportunity. This necessitated global companies to spend money on research and development for fast

moving markets like China, India, Brazil and Russia. The difficulty in adopting reverse innovation was the reengineering of operations, from sales to manufacturing to fit a BOP business model, which required low cost effectiveness for profitability.

In summary Singh, Bakshi, & Mishra, (2014) provided a proven theoretical linkage between CSR and market development from BOP projects. Connecting BOP projects to CSR reduced their risk; employees could be easily rallied behind the projects; traction was gained in including BOP communities in the 'last mile'; partnering with government augmented the projects and these BOP activities developed BOP consumption and supply. Gollakota, Gupta, & Bork's, (2010) suggested that for companies to do business in the BOP market profitably, they needed to follow an in-depth cost management strategy, which required them to reengineer their operations. Prahalad's, (2011), presented the BOP as a source of breakthrough innovations, therefore advocated for global companies to access the BOP space supported by Shyle, (2011); Basu, (2011) & Sinha, (2013). Prahalad's, (2011) advocated that to create breakthrough innovations in the BOP, global companies needed to apply his '4As', which were awareness, access, affordability and availability.

2.8. Conclusion

The literature supported a triple bottom line approach to CSR, linked to the business performance if the business took CSR as an integral part of their business model. The literature supported an overall protection of consumers. Government intervention to this cause was seen as necessary as a global perspective. Consumer education and access was also a supported notion to protect vulnerable consumers.

There was limited literature on the BBBEE Act, mostly because it was not a common global phenomenon but specific to South Africa. The notion of enterprise development received literature support from an emerging world perspective, riddled with poverty therefore seen as a vehicle to reduce poverty and income inequality. The study from Methvin's, et al, (2013) provided invaluable data as there was no other literature found that provided a view on the BBBEE Act aligned to this study.

The literature supported Prahalad & Hammond's (2002) BOP concept, there was no other alternative framework provided other than Karmani's, (2007), who criticised their presuppositions of the BOP market and proposed an alternative proposition of procurement from BOP enterprises. There was literature which provided alternative versions of the BOP concept by Ansari, et al (2012) & Berger, Ju Choi, & Boem Kim, (2011), but all stem from Prahalad & Hammond's (2002) initial work. Kolk, Rivera-Santos & Rufin, (2012) & Majumder, (2012) criticised the BOP concept but provided no other alternative in its place.

The literature supported a general notion that there were opportunities at the Bottom Of the Pyramid, from connecting CSR to BOP projects by Singh, Bakshi, & Mishra, (2014) to ensure the BOP project success; to an in-depth cost management strategy by Gollakota, Gupta, & Bork's, (2010) to attain profitability in BOP markets and Prahalad's, (2011) 4As to create breakthrough innovations in the BOP market supported by Shyle, (2011); Basu, (2011) & Sinha, (2013).

CHAPTER 3: RESEARCH QUESTIONS

The purpose of this study was to establish if enclosed factors effected corporate South Africa's strategies to support SMMEs, these being enterprise development and in principle corporate social responsibility (CSR) or socio-economic development in compliance with the BBBEE Act 53 of 2003 (DTI, 2005); consumer education and access of PDIs in compliance to the legal requirement under the Consumer Protection Act (CPA) 68 of 2008 (Government Gazette Staatskoerant, 2009) and an application of a Bottom Of the Pyramid (BOP) concept when doing business with the emerging market or PDI markets (Prahalad & Hammond, 2002).

As mentioned in Chapter 2, there was limited academic literature in support of or against the BBBEE Act as the answer to address the inequities of the past in South Africa therefore compliance to the Act. There was academic literature in support of a general global acceptance of the Consumer Protection Act on the basis of fair consumer practice but no correlation that compliance to the Act would yield strategic support of SMMEs by corporate South Africa companies. There was research study in support of a BOP concept as a plausible solution to alleviate poverty thus assumed corporate South Africa's support of SMMEs.

The research questions were:

- a) Does compliance to the BBBEE Act by corporate South Africa companies enforce inclusion in their business strategies to support SMMEs?
- b) Does compliance to the CPA and the necessary requirement for consumer education and access by corporate South Africa companies enforce inclusion in their business strategies to support SMMEs?
- c) Is a BOP concept applied in any of the companies interviewed therefore infers support of SMMEs?

These research questions were the focal point of this research investigation over a period of two and half months from 15 July to 21 September 2015.

CHAPTER 4: RESEARCH AND DESIGN AND METHODOLOGY

4.1. Introduction

The chosen research methodology suited the type of investigative study pursued. This chapter described the type of study methodology followed in collecting the study information. It described the sample of the information gathering and the sample size chosen and how the sample was chosen (Saunders & Lewis, 2012).

The research methodology described how and what instruments were used to extract the information. The processes followed to position the information in an order that would enable collation and analysis of the information collected (Saunders & Lewis, 2012).

Lastly, the research has acknowledged the limitations that are biased or could prevent an objective and thorough view of the information collected. This was also weighed against the conclusions and recommendations made based on the information collected and analysed (Saunders & Lewis, 2012).

4.2. Choice of methodology

The choice of study was a qualitative research study. Qualitative research, defined as any type of research that manifests results that were not arrived at through means of quantification or statistical methods for which most of the analysed work is “interpretative” (Strauss, & Corbin, 1998, pp.10). Interpretation, for the function of discovering relationships in the raw data collected.

The choice of research was based on the information that required to be collected to enhance understanding. Not much literature has been found on all the factors that were being investigated therefore warranted a need to go out into the field of corporates in South Africa, who were primary doing business in the consumer market in South Africa. Therefore necessitating both a face to face and telephonic interview of their experiences with regard the factors investigated in this study.

Therefore this research had a descriptive research design of which information was collected through audio recorded face to face and telephonic interviews. There was a measure of the individual's personal experience in the interviewing process therefore

this research also took cognisance of identifiable themes that emanated from the different voices that were heard (Saunders & Lewis 2012; Creswell, Hanson, Plano & Alejandro, 2007).

The interviews were conducted following a phenomenological research design. Phenomenology refers to the fact that most of the interviewees were facing common factors, which were the two research BEE legislations and most instances either one or both of the factors affected the interviewees in the relayed respective experiences of compliance to the legislations.

In reference to Creswell, Hanson, Plano and Alejandro (2007), with regards to the research study being an empirical, phenomenology research design of which procedure was to identify phenomenon to study (in this instance would be the legislations and how they applied a BOP concept), connecting their respective experiences, and collecting data of their experiences of the phenomenon (Creswell, Hanson, Plano & Alejandro, 2007).

The premise from which this study was conducted using an inductive analysis, in terms of what were the core meanings in the coding text relevant to this research and the themes that emanated from them collectively (Thomas, 2006).

Reason for the inductive analysis was mostly because there was very little literature found on the collective application of the BBBEE Act, CPA and a BOP concept in the context of South Africa. Therefore the research was to collect data from the respective company experiences as described by the individuals being interviewed. It was anticipated that the methodology followed would answer how and to what extent corporate South African companies based in Johannesburg were applying the three factors in their respective corporate strategies and if their application was in support of SMMEs (Nigatu, 2009; Creswell, Hanson, Plano & Alejandro, 2007).

4.3. Population

The population was corporate South African companies who are mostly in consumer-facing sectors. These consumer-facing companies include for instance the retail sector; financial services sector made up of insurance companies and banks, and telecommunication sector. To illustrate the market share consumer-facing companies

have, for instance retailers in South Africa hold 47% of the total market (Hattingh, Russo, Sun-Basorun, & van Wamelen, 2012).

This earmarked population was chosen from Johannesburg. The reason Johannesburg was chosen was because of its role in the context of companies in South Africa. Johannesburg was noted as Africa's world-class city. It is at the centre of Gauteng, South Africa's "biggest and richest" commercial and industrial market (Rogerson, & Rogerson, 2010, pp.581). Johannesburg alone holds the largest cluster of financial services sector and information technology companies in Africa (Rogerson, & Rogerson, 2010).

4.4. Sampling and sample size

Sample size was 12 interviews, of which sample represented corporate South African companies who are mostly in consumer-facing sectors. Interviewees were either working for these companies or were previously employed by the relevant companies; therefore, they relayed their experiences while in those companies. Two interviews were in the transformational consultancy business assisting corporate South Africa with their compliance to mostly the BBBEE Act, specifically on enterprise development. All these companies are registered to do business in South Africa and have a physical address in Johannesburg.

The sampling methodology was purposive and selected based on their relevance to this study. Geographic representation in Johannesburg started from Sandton City to the surrounding areas to as far as Midrand. Included areas are Sandton City, Woodmead, Johannesburg Central Business District, Illovo, Rosebank and Midrand (Nigatu, 2009).

The makeup of the companies interviewed ranged from companies in the financial services sector to the retail sector trading in South Africa. For qualitative study, a sample size between six and twelve (6 and 12) (Romney, Batchelder, & Weller, 1986 in Guest, Bunce, & Johnson, 2006) was adequate, given those engaged were of the same level of expertise relevant for this topic.

4.5. Unit of analysis

Unit of analysis was defined as ‘what’ and ‘who’ that is being investigated. In this study, the unit of analysis were the companies representing corporate South Africa, represented by the individual interviewees who were interviewed (Trochim, 2006).

4.6. Measurement instrument

Qualitative research through interview recordings (refer to Appendix 1 and 2) were utilised and followed the interview discussion as guided by Creswell, Hanson, Plano and Alejandro (2007). The interview guide provided practical suggestions of how to write an interview protocol able to prompt valuable data which would enable the researcher to study the different aspects relevance to the study from the interviewee’s experience. The guide also provided practical suggestions on how to conduct the interview process to extract “rich and relevant data” through the process (Jacob, & Furgerson, 2012, pp.1).

The guide assisted to formulate the procedure followed when conducting the interviews. The script (refer to Appendix 2) structure required to develop the open ended questions, were guided by the research topic. The reasoning for the open-ended questions was for the interviewee to provide the necessary information pertaining to their company experiences. The script was used from the start and end of the interviews, including the duration of the interview which was not more than 60 minutes (Jacob, & Furgerson, 2012; Bates, Droste, Cuba & Swingle, 2008 & Saunders & Lewis, 2012).

The interview script (refer to Appendix 2) created for this research topic was made up of open ended questions which started with an introduction of the procedures that were going to be followed. Under each script topic included a set of these questions. The headings under the interview script included an introduction; the interviewee’s experiences with the two BEE legislations and questions on how the company engaged the BOP market (if at all) to discern what approach was used in their engagement.

The introduction included the purpose of the interview, briefly about the researcher and how the interview process would work and noted that the interviewee was at liberty to stop the interview should they feel uncomfortable. If the consent form was not signed yet, the researcher brought a hard copy to the interview for their respective signature.

If it was still to be signed, the researcher would remind the interviewees to send it immediately after the interview for purposes of this research.

The BEE legislation open-ended questions started with a general experience with BEE in their respective roles migrating to experiences with the BBBEE Act, specifically with regards enterprise development. The enterprise development open-ended questions pertaining to the company's enterprise development programs and for instance how these were structured; what success stories there were with regards SMMEs that have gone through their program and lessons learned from running the enterprise development program.

The CPA legislative engagement following the interview script included for instance their experience, their structure and processes of compliance to the legislation and success stories on consumer education and access.

The BOP engagement also followed the interview script included for instance if they were utilising suppliers that stemmed from the BOP market and what their experience was with engaging the SMMEs.

4.7. Data gathering process

Semi-structured audio recorded interviews were utilised. The reason for the interviews was to gather information from respective company representatives, in their story telling of their company experiences relevant to the factors investigated in this study (Nigatu, 2009).

Interviews were a combination of 7 face-to-face and 5 telephonic interviews, which were between 45-60 minutes as per the interview guide. There was one interview that was 75 minutes, which was at the consent of the interviewee. Therefore there were a total of 12 interviews of which 2 represented a transformational consultancy business, who were interviewed at the same time at their request. In as much as they represented the same company, they brought their respective different and separate corporate South Africa client experiences which added great value to this study.

The semi-structured interview script was systematically followed for each interview, which assisted in keeping the interviewees and researcher aligned to the topic of this study. All face-to-face interviews were conducted at the chosen venue of the

interviewee; one was held at the Gordon Institute of Business Science while one was held over a breakfast meeting close to the interviewees' office at their request and the bulk were at their respective office premises.

The time allocation for all the interview sessions was one hour except one interview which ran over by fifteen minutes to which the interviewee conceded to conclude the interview. All interviews were recorded via a dictaphone and also via dropbox; thereafter, they were sent to an independent transcriber to prepare the necessary transcripts for this study. There were 11 transcripts created from this process.

All interviews were voluntary and consent forms agreed to same. In most instances the consent forms were signed and emailed either before or immediately after the interview. There was one instance where an interviewee consent form would be emailed after the interview but was only collected a month later due to the interviewee's travel commitments, therefore took four email reminders and a couple of phone calls and ultimately managed to attain a signed copy through the interviewee's personal assistant. All meetings occurred during office hours with one exception where the meeting was held at the interviewee's premises after hours.

4.8. Analysis approach

The analysis approach followed an inductive analysis approach, of which was common in qualitative research study (Thomas, 2006). Once the interviews were completed, they were transcribed, labelled and electronically filed into word documents. The transcripts created from the recorded interviews were loaded onto ATLAS.ti. in Adobe Acrobat reader or PDF format as prescribed by the software, thereafter the word documents were re-saved into PDF documents for this purpose. A codification process started from the 11 transcripts that were loaded onto ATLAS.ti.

The codification process guided by Nigatu, (2009); Saunders & Lewis (2012); Creswell et al., (2007) & Thomas, (2006) was followed in methodical steps towards analysing the data. First protocol was to read each script and create codes or link up codes from the text read in each script. Text was coded according to their relevance to the research topic in terms of the experiences relayed by the interviewees. Those experiences from each transcript text that were similar, or projected the same message were linked to previously created codes. Where new insights were raised based on each interviewee's experience, a new code was created.

Once the initial coding process was completed, the codes were revisited to categorise in their inherent meaning, links, and views representing the category. From the categories created, code families or themes evolved from a further methodical process of surmising from each of the categories additional associations or connections among them. The themes represented this surmised view, therefore from a list of 170 codes, 6 themes were extracted through this inductive process of analysis.

4.9. Validity and Reliability

Phenomenological approach was a subjective approach therefore susceptible to biases, the biases such as selective memory and telescoping. Other biases conceded which could limit this study were attribution and exaggeration which cannot necessary be evidenced as solely dependent on the versions of the individuals being interviewed (Nigatu, 2009; Saunders & Lewis, 2012).

Concepts of validity and reliability are seen more in quantitative research studies, and those studies to curb the above biased limitation in terms of validity under the criteria of a quantitative study would refer to whether the means of measurement produced accuracy in the results. In this study the means of measurement would relate to how the information was collected, could the manner in which it was collected produce accurate information or information that can be trusted (Golafshani, 2003).

Relevant to qualitative research, the quality of interviewee was important, as it gave credibility to the information attained from the interviewee's, therefore expert experience strengthens the argument of trustworthiness of the information attained. Consistency in the answers from the interviewees, added to the trustworthiness element required in a qualitative study for validity of the results attained (Golafshani, 2003).

In qualitative research to curb the above limitation in terms of readability of the results would refer to the repeatability of the results under a similar methodology. Important to quantitative research would be to attain stability in how the information was collected. This was also relevant to qualitative research, which was attained through utilisation of a semi-structured set of questions for each of the interviews. Therefore, a platform of stability was established. This structure was therefore established to produce consistency in the open-ended questions asked (Golafshani, 2003).

Relevant to a qualitative study was the quality of the study, quality in the understanding achieved from the interviews. In this study, the commonality in the interviewee expertise on the factors addressed provided not only consistency in the answers given but also reliability in the information given. Satisfying both a quantitative and qualitative criteria of reliability, as a high level of stability transposes itself into a high level of readability (Golafshani, 2003).

4.10. Research Limitations

Qualitative search was time consuming of which luxury this research was short of. It was highly dependent on interviewee availability and convenience which required a constant pursuit for their time and reminders to make sure that they remembered their appointments in addition to sending them diary or calendar invites. This methodology was the appropriate method to fit the research study being pursued (Saunders & Lewis, 2012).

In summary, the research limitations were lack of resources, time constraints mostly on their side for a face-to-face interview. Therefore, they opted for telephonic interviews, which limited the interview scope with regards to observation of interviewees to detect from their body language any instances of discomfort (Saunders & Lewis, 2012).

Johannesburg-based companies were chosen for the interviews, mostly due to logistical convenience as a result of time constraints in which to conduct the interviews, and also because most multinational companies were based in Johannesburg, the “hub of economic activity in sub-Saharan Africa” (Rogerson, 2014).

CHAPTER 5: RESULTS

5.1. Introduction

The purpose of this chapter is to relay the results of this research study. It provides the researcher's interpretation of the emerging themes extracted from the research, which provides insight to the research topic and are supported by exact quotations.

5.2. Field notes

At each of the 12 interviews, a commentary summary page attached to the consent form was completed by the researcher providing summary notes of whether the interviewee was generally comfortable with the questions asked and if there were any particular points that could be highlighted or need to be addressed at a later stage with the interviewee.

These individual experiences range across different sectors such as the financial services, telecommunication, retail sector to the information technology sector. All their company experiences are mostly in well established, large corporate companies trading or registered or licensed to trade in South Africa.

5.3. Theme 1: BEE legislation issues

The common issue addressed in this theme is the BEE legislations, which included the BBBEE Act on enterprise or supplier development and CPA on Consumer Education and Access. The results show that initially because there was a lack of understanding of the BEE legislations, given that it was perceived as reverse apartheid. The intention of the legislations was for inclusion of previously disadvantaged individuals into the economic stream of South Africa.

Over the years, the respondents' company experiences evolved, therefore emerging was a mind-set shift from a fundamental understanding of how the BEE legislation could affect their business performance. It also evoked recognition that there were opportunities that could be explored within the BEE legislative business environment.

5.3.1. Seen as a ‘tick box’ exercise

Most of the respondents commented that their company’s response to the BEE legislations was mostly that of a ‘tick box’ exercise based on minimum spend, therefore an attitude of do as little as possible to gain BEE points. Instead of achieving what the scorecard required, only the bare minimum on spend was being done.

The respondents gave an impression that this bare minimum attitude was not enough in their view and that the decision to do more was not in their control as it needed to be driven from the top.

“...instead of us in the corporate environment trying to achieve what is on the actual scorecard or BBEE scorecard requirement, we are still handling it as a tick box exercise” (P15: Interview 1 - AH.pdf - 15:3).

“...it is a tick box exercise therefore we can easily do our calculations on what the minimum spend on enterprise development or supplier development so we can get all the points we need” (P17: Interview 3 - LJ.pdf - 17:18).

5.3.2. Mind-set shift

Most of the respondents found it difficult to change their management mind-sets of viewing the BEE legislations as reverse apartheid; thus they have a begrudging approach to them. Over the years, companies started having a mind-shift from a begrudging approach to an accepting approach that BEE is fundamental to doing business in South Africa.

This evolution in thinking, in starting to understand that BEE compliance is their license to operate in South Africa. The thinking is evolving to see the value that can be derived from operating in this BEE legislative environment to their benefit and to also start thinking of going beyond compliance but doing it because of the love of South Africa and its betterment.

“The most challenging has been to change the mind-sets....So at the top, there is white dominated management where the mind- set is we do not want to implement BEE as it is just reversed apartheid...” (P20: Interview 6 & 7 – O & K.pdf - 20:2).

“I have seen legislation on BEE change over the years ...so even on company, group and divisional level; there have been a lot of changes or amendments... there was a fundamental change when people started understanding that it forms a fundamental part of business in South Africa and it is really your license to operate” (P18: Interview 4 – GM.pdf - 18:4).

“Over the years, I have seen a difference of how they have changed it and a lot of them have moved to something that is a little bit of where value can be added to their businesses” (P18: Interview 4 – GM.pdf - 18:21).

“...although it is part of why we do it but not the motivation so companies need to change the heart of why they want to transform this country and less about the legislation...” (P21: Interview 8 - DG.pdf - 21:6).

5.3.3. BEE scorecard strategy

Most respondents affirmed that compliance to the BEE legislations is a shareholder obligation and is what any good corporate company must do to transform. Therefore, noncompliance must not be a reason for not getting business. Due to its strategic importance, there is an overarching strategy addressing all the elements of the BEE scorecard, which is entrenched in their businesses as part of doing business.

“We report on BEE at our board meetings ...It gives you an indication that it is truly entrenched in our businesses and part of doing business” (P18: Interview 4 – GM.pdf - 18:1).

“...we have an obligation to the shareholders to demonstrate that we are doing what any good corporate company would do which is transform. I say to all the businesses that BEE should never be an issue and should never be the reason why we don't get business” (P18: Interview 4 – GM.pdf - 18:41).

“overarching strategy which addresses each of the elements of the BEE scorecard and what is the strategy for each of the individual needs to be rolled out” (P15: Interview 1 - AH.pdf - 15:33).

5.3.4. BEE scorecard ripple effect in business

All respondents support that compliance to the BEE legislations has a direct and indirect implication on their businesses. Customers are applying pressure on them to transform, as they too have a score card to which they must answer. For instance, a customer would require the company to have procured their services from a BEE SMME, therefore an illustration of the BEE ripple effect for companies operating in the South African BEE legislative environment.

“the problem is if you have clients and agencies that say in media, you’ve got DSTV and SABC and if they not compliant, we are not compliant which leads to clients who refuses to deal with us because we are not compliant” (P19: Interview 5 –TN.pdf - 19:2).

“So every company will deploy an EDP which suits them some are dictated to them to an extent by their customers where the customers will say that they want to see the following development for instance. If it is a cleaner service, then they will want to see you procuring the cleaning product from an SMME” (P18: Interview 4 - GM.pdf - 18:24).

In summary, the common issue addressed in this theme unravelled the evolution business followed from being viewed negatively as reverse apartheid, therefore from a ‘tick box’ minimal approach to compliance towards it being perceived as a business imperative. This mind-set shift is the fundamental understanding that it is part of doing business in South Africa and thus its strategic positioning as one of the top priorities to be addressed at company board meetings.

5.4. Theme 2: Hindrances in support of SMMEs

Respondents see hindrances to SMME support from both government and business which makes it difficult to support SMMEs. For instance in the flaws seen in government pertained to the legislation not being prescriptive enough in inclusion of SMMEs in business supply chains to businesses own internal structures and financial constraints making it difficult to support SMMEs.

5.4.1. The flaw in the current conventional enterprise development codes

Some respondents felt that because inclusion of SMMEs to the company's core supply chain is not currently an explicit legislative requirement, the law pertaining to this does not encourage it. Also revealed is that some companies are resistant to include the SMMEs in their core supply chains.

"ED (enterprise development) as it stands now in our sector code encourages investment in enterprises from a certain pool of money and you get a certain amount of points allocated to you. It does not however, encourage the uptake of that particular enterprise into your actual supply chain" (P22: Interview 9 – BA.pdf - 22:4).

"...although companies are changing their mind set with implementing the enterprise and supplier development, they still are still very reluctant to introduce these beneficiaries into the core component of their supplier chain." (P20: Interview 6 & 7 – O& K.pdf - 20:29).

5.4.2 'Hitting stick' versus a collaborative approach from government in engaging business

Some respondents felt that government's 'hitting stick' approach is undesirable and desired is a collaborative approach where business can influence the implementation of the BEE policies. This is specific to sector codes which require alignment to the actual sector experts who are operating in those sectors to assist in setting realistic targets or goals.

Hence had the approach been more collaborative, respondent's view is that the transformational goals would have been more embedded within companies therefore a better result with regards progress on the BEE issues raised under the BEE legislations.

"Unfortunately many see the BEE legislation as a hitting stick which forces you to go in a certain direction. ...there are not many cases where the transformational goal has truly been embedded and are in place in a sustainable manner. Meaning the risk that we run is if tomorrow if a decision is made that the BEE legislation is no good, and it is wiped off the table, you are not certain whether the initiatives you put in place will actually last and see itself out" (P22: Interview 9 - BA.pdf - 22:3).

“the way BEE has been positioned has been done in a punitive way, it’s almost like a punishment ... So the way it is being and still continues to be done unfortunate in that you could have probably made a lot more of the private sector if you just approached it a little more differently” (P18: Interview 4 - GM.pdf - 18:6).

5.4.3. Sector codes

Some respondents found compliance to their sector codes challenging because of their sector skill requirements. The challenge is the shortage in BEE SMME available skill sets required for their respective sectors aligned to the transformational targets, therefore making it difficult for them to comply. There is also competition from other sector companies as they are also seeking the same skill sets for their respective BEE scorecard. An avenue utilised in this instance is acquisition of third party transformational consultants to assist in the plight to find or train for the required sector code compliance requirements.

“When using sector specific codes, you will find that the sector code, for instance if you in forestry, you must be able to prove that you buying timber from a black owned timber supplier, so that is sector specific and you must develop them” (P20: Interview 6 & 7 – O & K.pdf - 20:30).

“...since then we have been trying to develop these opportunities which are very difficult and not easy at all, it is not easy finding women entrepreneurs in plumbing and the electronics fields. Also thinking about the competition in this market, everybody is looking for the same thing” (P16: Interview 2 – HM.pdf - 16:9).

“...if they are struggling to find sector specific SMME’s to work with, we would help identify, train and implement and absorb to the supply chain” (P20: Interview 6 & 7 – O & K.pdf - 20:34).

5.4.4. SMMEs lack of financial and business acumen

Most respondents confirmed that their biggest challenge with their respective EDP SMMEs is lack of financial and business acumen which act as a stumbling block in adding them to the company’s supply chains. This lack therefore acts as a stumbling block to them fully capacitating their businesses. Also, some companies are not prepared to include the SMMEs in supply chains until those skills are acquired.

“Also helping them with finance, which are there biggest challenge and stumbling block – how do you actually help them achieve that cash flow and then bring them into the main flow of business” (P16: Interview 2 - HM.pdf - 16:22).

“...various challenges that prevent them from doing that for example that they could lack the experience, they may not have the financial ability to operate the business to its full capability or capacity” (P15: Interview 1- AH.pdf - 15:15).

“So on the programme, get the SMME / beneficiary to handle a core component, develop them to that extent where the quality is in place but they are not willing to do that” (P20: Interview 6 & 7 – O & K.pdf - 20:29).

This lack of SMME financial and business acumen also provides opportunity for fronting, where they are the front end of the business transaction whilst a less transformed company provides the required delivery, which does not assist the SMME in terms of acquiring the necessary skills to capacitate their business. Furthermore, they are effectively acting as the middle man, whose earning margins are too narrow for the less transformed end company to remain competitive and be able to retain the business.

“Even when they do get the business, they do not have the capacity to manage big businesses where the real money actually sits for them. So what ends up happening is, is that they become the middle man and end up giving the business to the likes of us on the back end” (P18: Interview 4 - GM.pdf - 18:23).

“They will never grow because of the margins of their sales, revenues and expenditure is very little due the minimum commission made. ...So this middle man will always charge small margins to ensure the end guy who is implementing the structure is still able to compete in the market, whereas they will seem to be transforming under the new DTI initiatives” (P20: Interview 6 & 7 - Oliver + Kholofelo.pdf - 20:13).

5.4.5. Precedents on successful partnering with SMMEs

Some respondents have commented that in doing business as usual, there is pressure to encourage companies to include SMMEs in their supply chains, some successes are necessary. This is needed to carve the way for them to follow, especially when entering new markets such as the BOP market in considering the newly legislated Access requirements such as in Microinsurance.

“...there is a lot of pressure and more competitors in the space, and we need to look for new avenues. We will get there and have to go through all the motions and you need the success stories to almost demonstrate that it does work” (P18: Interview 4 – GM.pdf - 18:38)

“...what happens naturally for a lot of businesses is that they wait for one company to start carving the way and showing them the opportunities. Whoever cracks the micro insurance opportunities ... will be the person who actually starts the way for everybody” (P16: Interview 2 – HM.pdf - 16:27).

5.4.6. Corporate’s financial constraints

Some respondents have commented that government should recognise that compliance to the BEE legislations is not as simple and cost efficient as it seems and is mostly done under huge strenuous financial constraints.

“If don’t have the funds, it is not easy to make a success of it, government needs to recognise that those that do, means that they are committed to it but it is not as simple and cost efficient as it seems” (P19: Interview 5 – TN.pdf - 19:5).

“The challenge as a business we don’t incubate anybody due to capacity constraints” (P16: Interview 2 – HM.pdf - 16:6).

“In terms of development of SMME’s,...we do not have the capacity to incubate ourselves as businesses and this probably the one thing they battle with cause they are really struggling on a day to day basis just to make ends meet” (P18: Interview 4 – GM.pdf - 18:26).

5.4.7. Procurement spend in support of SMMEs

Some respondents have commented that their companies are still predominantly procuring from white companies but because they have acceptable BEE levels and the companies are comfortable with them, the status quo will not change in support of transformed SMMEs.

“It seems to me that we still predominantly doing business with white owned businesses but because they meet certain requirements on the scorecard they are reflecting quite positively in terms of the BEE levels” (P15: Interview 1 - AH.pdf - 15:10).

“I just wish we could put the same pressures on our suppliers which we don’t. We just do whatever it takes when our customers put pressure on us ... which we are still sitting at a Level 8 when it comes to suppliers and the responses to it is that we don’t have an option” (P18: Interview 4 – GM.pdf - 18:42).

“So you still using the companies that was traditionally used because you more comfortable with them” (P17: Interview 3 – LJ.pdf - 17:6).

Some respondents have noted that the BEE scorecard is a sum of all the transformational initiatives of a company and have found that there is a correlation between diversity of the workforce and diversity in the procurement spend. Therefore, procurement would be impeded by a lack of diversity in the workforce.

“I believe that companies which are not diverse as far as employment equity is concerned will struggle with the preferential procurement aspect BBBEE scorecard as well” (P15: Interview 1 - AH.pdf - 15:9).

“So this has been quite a challenge and a mind-set change that we also had to encourage in the business enable to see that this part of the BEE scorecard is directly impacted by all of the transformation initiatives...” (P22: Interview 9 - BA.pdf - 22:12).

Some respondents have realised in their experience of running enterprise development program (EDPs) that there might be a group strategy to spend procurement on SMMEs in their EDPs and works well if the procurement spend is centralised in support of the SMMEs. It does not work well when the procurement spend is not centralised but left to company divisions to make, because it is then important for the divisions to be included

in the SMME choice into the EDPs to get their buy-in therefore position future procurement opportunities to be steered to those SMMEs.

“...we easily have the issue of direction of spend because it is capped at the business levels and not centralised. If I have a relationship with ABC supplier and not a BEE company, I will continue to use them with no constraints of not using them as there is no set aside component” (P17: Interview 3 - LJ.pdf - 17:13).

“..... has lots of success storiespeople didn't still have a choice of I am going to spend my money with other companies. The development (of SMME) was intentional...” (P17: Interview 3 - LJ.pdf - 17:11).

“You need to get business support when you select and nominate a supplier to be on the EDP and that is purely for the procurement and supply chain opportunities” (P15: Interview 1- AH.pdf - 15:28).

5.4.8. Government's perceived lack of monitoring of non-compliance

There is a widely shared perception that there is a lack of monitoring of non-compliance cases by government.

“My biggest challenge is that government always puts legislation in place, but never follows it up” (P16: Interview 2 – HM.pdf - 16:3).

“My experience over a 15 year period regarding BEE development is where government always said that adhere to BEE scorecards and promote enterprise development; or we will impose a fine and expose those companies, so just think back and ask who got exposed and who got a fine which is nobody” (P17: Interview 3 - LJ.pdf - 17:4).

5.4.9. Broad legislation left to interpretation

Some respondents have commented that in their experiences with the BEE legislations, the codes are vague, thus leaving too much room for company interpretation. Consequently, there is inconsistency in application of the legislations. Augmented by sector codes, if there is confusion on interpretation on the generic

codes, there is misalignment to the sector codes which slows the process of compliance for their respective sector targets.

“BEE unfortunately in terms of the codes is very vague in some areas which leaves a lot of room for interpretation and depends on how you interpret it, ..., you can pretty much do what you want with it in some instances” (P18: Interview 4 - GM.pdf - 18:3).

“...our sector is very challenging. So you have the generic BEE Act, from which each sector then derives specific sector codes. .. find for a certain area the focus of transformation is moving too slow and the generic BEE code has an amendment in it which has a ripple effect on the sector specific code and then everyone must adjust accordingly again. This has been inconsistent and made it difficult for all to achieve and work in a focused manner towards your targets” (P22: Interview 9 - BA.pdf - 22:1).

5.4.10. Government impeding SMME businesses

Some respondents have a view that if there is legislation that impedes on a set of SMME businesses, such as a sector price control, it jeopardises the viability of that set of SMMEs. If within government, departments or sections meant to support SMMEs are not in alignment in their support of SMMEs, it also impedes on the intended SMME support.

“Individual pharmacist ... lost out on business because a lot of it has to do with regulation in such a way that it does not make business feasible anymore” (P23: Interview 10 - KN.pdf - 23:11).

“This should be part of your enablement environment, especially here, SETA perhaps, the Ministry for SMME’s, needs to coordinate their efforts to integrate all these private entities in terms of SMME development” (P24: Interview 11 - UK.pdf - 24:10).

5.4.11. Use of consultants to drive the organisation’s transformation strategy

Among some respondents, there is debate on the necessity of utilising transformational consultants in driving the transformational strategy of a company. Some are of the view that they are useful and provide a wide range of sector experience to assist the company to meet their specific sector transformational or BEE scorecard targets:

“There are some very good BEE consultants which I have met at Empowered, what makes them good is that they work across various industries, they know what works , what doesn’t and why. They also invested heavily into technology help you manage your scorecard and arrange your BEE preferential spend a lot better. They can also see which supplier has access to government funding for supplier development, so ideally those are the suppliers you want to try and tap into” (P17: Interview 3 - LJ.pdf - 17:14).

Some are of the view that because some sectors are highly complex or specialised, a generalist transformational consultant would hinder the process by providing diluted transformational strategies. However, if the business took ownership of the transformational issues it would be driven more strategically within the company.

“One of the areas that I feel consultants fail at is that they don’t understand every sector and some sectors for example ours, is much more complex value chain in terms of the different stakeholders in terms of how we supply whether to government or the private sector or what fields are required” (P23: Interview 10 - KN.pdf - 23:6).

“I think that is where the shift needs to happen where they start learning and understanding what this is about, and then looking at their own corporate strategy as in saying how do we actually create competitive advantage using BEE and enterprise development. This is a very different conversation and type of thinking compared to bringing in a consultant who’s going to tell you what to do and what the opportunities are” (P23: Interview 10 - KN.pdf - 23:5).

In summary, there are 11 hindrances identified in this theme against support for SMMEs. Foremost is the flaw in the current enterprise development legislative which is viewed by some as not encouraging inclusion of SMMEs in business supply chains.

There is lack of collaboration from government when drawing up BEE policies or amendments, which impedes on how business responds to the requirements, some of which are viewed as unrealistic therefore difficult to comply with. For instance, certain sectors find it difficult to acquire the necessary skills necessary for that sector. Thus, there is a need for the government to include the sector experts in setting the targets for what is plausible for that sector.

The general view is that SMMEs lack the necessary financial and business acumen; as a result, it becomes a challenge in being including them in the company's supply chains until those skills sets are acquired. The lack also opens up opportunity to fronting which also acts as an impediment to their growth.

Given the financial strain most companies operate under, there is a need of encouragement of successful examples to carve the way in utilising SMMEs for others to follow, assisted by government with clarity on the formulated BEE legislations and amendments aligned to their sector codes which currently is found vague, leaving business to their own interpretation of the law.

Companies would also find opportunity to rally procurement spend in support of SMMEs from their divisions in the choice of SMMEs, assisted where necessary by transformational consultants to source or train the required SMMEs.

5.5. Theme 3: The new DTI codes

The DTI realised that the biggest challenge facing SMMEs was accessing markets. In order to facilitate this, the new DTI codes were created to close the gaps left open by the previous legislation to facilitate SMMEs to access markets.

" They (DTI) realised that the biggest battle for SMME's is access to the markets and is difficult for them to compete with the likes of big companies with resources, capacity, better pricing and economics of scales" (P18: Interview 4 - GM.pdf - 18:22).

The biggest gap was misalignment of the BEE scorecard elements, therefore these have been aligned for greater effect of the holistic scorecard.

"...the biggest gaps identified in terms of the new codes which is being put together that too many of the elements under the BEE scorecard were dealt with in a silo manner, ...there is going to be greater alignment across the elements in the BEE scorecard" (P22: Interview 9 - BA.pdf - 22:6).

To effect, inclusion of the SMMEs in the company main flow of business, enterprise and supplier development now has a heavier weighting than before, the largest weighting of all the BEE scorecard elements.

“Now with the amended codes, there is more emphasis on supplier development where the DTI is saying that you cannot just develop any business it must be a business that fits or potentially be in the space of your supply chain” (P18: Interview 4 - GM.pdf - 18:22).

“So now with the amended codes, you will use the companies within your sector code and then develop which is what is good about the code as you are forced to use the companies within your sector “(P20: Interview 6 & 7 – O & K.pdf - 20:31).

“60% of their scorecard comes from enterprise and supplier development and needs to be prioritised” (P20: Interview 6 & 7 - O & K.pdf - 20:28).

Fronting, was not enacted in the first legislation and found occurring made opportune by the SMMEs lack of financial and business acumen. In the new law it is now a criminal offence and responsibility is placed on the directors of the company. This responsibility is on the premise that they are supposed to know where there is fronting in their organisation.

“Fronting is now a criminal offence” (P20: Interview 6 & 7 - O & K.pdf - 20:14).

“There is something called “ know, knowingly and suppose to know” in the bill, where they are saying if you know of the initiative or you should have known as Director, you cannot say “ I didn’t know “ because as a director you have a judicious responsibility to either investigate or know” (P20: Interview 6 & 7 – O & K.pdf - 20:15).

In summary, what the new codes have done is to close some of identified hindrances identified in theme 2 above, such as the flaw in legislation of not encouraging inclusion of SMMEs in the supply chains of which this legislation has enabled. The misalignments in the BEE scorecard elements, which will address the possible lack of diversity emanating into a lack of diversity in procurement, spend in support of SMMEs. Classifying fronting as a criminal offence will force companies and supporting consultants to be even more vigilant in rooting out fronting as respective company leadership will be held responsible on the assumption that they are supposed to know where there is fronting. This will also require companies to address the lack of financial and business acumen impediment as a blocker of their inclusion in the supply chains.

5.6. Theme 4: Examples of successful inclusion of SMMEs in the supply chain

It is observed that certain sectors have successfully included SMMEs in their supply chain. This stems from that they identified opportunity in the emerging or BOP market and sought ways of reaching these markets through the use of SMMEs. The main driver for utilising SMMEs was that it was the most cost effective way of proving access of their products and services to the BOP market based on the opportunity that was found in the BOP market.

“It’s part of a strategy...called “cut the tail” because in essence it assisted us in cutting costs from a fleet and staff perspective ...into rural.... so by reinvesting those costs of a setup distribution site, we assist owner drivers which are more viable” (P19: Interview 5 - TN.pdf - 19:17).

“...the last mile at this point can be done by smaller SMME’s. So you have bigger groups but now medium size companies are distributing the final step to townships, so here they can and will use small scale entrepreneurs” (P24: Interview 11 - UK.pdf - 24:6).

“We have definitely seen their business impact on our business which is great. There is a spin off that ultimately benefits you” (P21: Interview 8 - DG.pdf - 21:8).

5.6.1. Equity Equivalent EDP model

An enterprise development program (EDP) model which does include the SMMEs as part of business’s core functions is the equity equivalent EDP model. It is deployed by mostly multinational companies, because they opt not to give shareholding to SMMEs therefore negotiate this type of EDP as an exception with the DTI. The requirement for the development of the SMMEs is for them to form part of the multinational’s operating space and supply chain.

“It is a contractual arrangement because we need to score a certain number of points on the BBBEE scorecard which is conditional on certain delivery points on our policies on assisting SMME’s growing and increasing the number of full time employees which were previously disadvantaged individuals. It is an alternative to contributing to BBBEE

and the giving of shares to businesses because our global parent company will not allow the giving of shares” (P25: Interview 12 - JC.pdf - 25:1).

“...companies such as would have big initiatives linked to their equivalent but also linked to the ED and supplier development strategy to ensure that they are developing smaller IT companies that can be introduced space and supply chain. Obviously at the end, helping the company strategy” (P20: Interview 6 & 7 – O & K.pdf - 20:8).

5.6.2. Growing trend towards the BOP market

Most respondents confirmed that there is a growing trend of companies identifying opportunities in the emerging or BOP market. This growing trend is necessary because certain sector markets are saturated therefore these sectors are seeing opportunity in the BOP market.

“...the opportunities seen, current markets are saturated ... there are no new clients coming up, so the opportunity lies in ensuring that the lower end insurance market is actually developed and grown, and then you actually see business come in” (P16: Interview 2 – HM.pdf - 16:26).

“.. with the bottom of the pyramid market emerging, particular in townships, there is a huge drive to develop the township economies, which will take some time and I just feel that there is opportunities for us as big businesses to drive that”(P18: Interview 4 – GM.pdf - 18:30).

There is a need to understand this emerging or BOP market by spending time in this market, given that it still remains an unknown market for some of the companies.

“This raised a further question at industry level around how much do we really know about this market, so one of the key conclusions that we came to is that we don’t nearly have enough knowledge or information about this market that is why we are struggling” (P22: Interview 9 - BA.pdf - 22:15).

“So somebody from the company needs to spend time with a spaza shop owner for a day and see how many and what products are sold. Companies need to be seriously

aware that they cannot just plant something in a township because it needs people who know all the informal ways” (P24: Interview 11 - UK.pdf - 24:12).

In summary, some companies were seeing the opportunity in the emerging or BOP markets given saturation in their existing markets; and, this is where the growth for their business was seen. Also noted is that there is a need to understand the dynamics of this market by spending time in these markets to better respond to the opportunities that lie in them.

5.7. Theme 5: The Access legislation

The legislation is prescriptive about the targets to be reached and how that market is to be treated. For example, there is a location of service provider or supplier requirement of not more than 20 kilometre radius for a customer who does not have their own mode of transport.

This requirement, as seen with the successful example of SMME inclusion in the supply chain because it was logistically cost effective for SMMEs to service bottom of the pyramid (BOP) market or previously disadvantaged individuals (PDIs). Due to proximity of location as a requirement, this legislation is effectively encouraging utilisation of SMME service providers who understand the dynamics of the respective BOP communities to service them correctly or provide appropriate products and services that are specific for this market.

“So for example under access, because they refer to ease of claims settlement, one of the more specific requirements being around the location of your service provider or supplier...if you have a supplier within a 20km radius for a client who does not have his own transport then you haven’t met that requirement.” (P22: Interview 9 - BA.pdf - 22:17).

“..it therefore requires a more diversified offering under your service providers and supply chain otherwise you cannot meet that need. Those two go hand in hand so it would really depend on how successful companies are in embedding transformation in the supply chain to be able to meet that need under the access requirement” (P22: Interview 9 - BA.pdf - 22:16).

Prescriptive requirements such as at point of sale, business is required to engage these consumers in their preferred language to ensure that they understand what they are purchasing. This necessitates business to acquire the appropriate workforce with the necessary language capability to be able to comply with this requirement. Some companies are prepared to cater to this language requirement, including transacting contractually in a different language other than English.

“..for example one of the requirements is for our policy wording to be issued in the eleven official languages -this is not practical as it is like hundred page document, that kind of thing” (P21: Interview 8 - DG.pdf - 21:9).

“Yes, it is very creative, it was not like that at the start but I would love to plug in other languages and provide a client who speaks four different languages different languages and provide him with a policy schedule in at least any one of them as well as English as if there is a legal matter and the wording is tested, English will be used. So this is a project for us and dependent on money and resources, although it will definitely be well received” (P21: Interview 8 - DG.pdf - 21:17).

The biggest challenge is association of this act under BEE, as growth in the emerging or BOP market is not seen under BEE and transformation. Some view growth in the emerging market as a business imperative and not just adherence to a BEE legislation.

“I would say that probably the biggest challenge has been that this piece of legislation unlike many other elements in the scorecard is not an element under the scorecard that people naturally associate with BEE and transformation. So growth in the emerging market is not seen in the same light as employment equity because if you speak employment equity even before the FSC, people would immediately make that association with BEE or with transformation strategy. In business, growth in the emerging market is a business imperative and not necessarily a transformation one.” (P22: Interview 9 - BA.pdf - 22:11).

Some respondents who have the strict Access sector requirements have commented that there needs to be alignment between how sustainable it is in doing business in the BOP market and the Access legislation requirements, given how explicit they are. The product provided must be procured by the BOP market and also affordable; therefore, it must have been deemed appropriate otherwise no BEE points can be gained from the product creation and no target units can be attained if no one buys the product.

“I would like to think that our products are both compliant and sustainable which is important to have these two things together. If the product is not sustainable you cannot get traction on it and if it is not compliant then it doesn’t mean anything in terms of the Act. So we are quite product that we have two products that are compliant” (P21: Interview 8 - DG.pdf - 21:9).

5.7.1. Consumer education increases demand

Consumer education enhances consumer demand, therefore a business reason for companies to pursue consumer education activities as part of strategy into the emerging market.

“...there was a lot spent on education because they were very new in the game. People don’t understand what data is and that is where the money is currently being spent on... Yes, there is that aspect if people don’t understand, they won’t buy it” (P19: Interview 5 –TN.pdf - 19:28).

“...when people have more access this will drive more usage. ...Giving people access to education and they will use it” (P19: Interview 5 –TN.pdf - 19:29).

In summary, the Access legislation requirements of providing appropriate products and services to this emerging or BOP market is found to be very prescriptive. By virtue of the requirements themselves, it is encouraging utilisation of a diversified workforce and an appropriate SMME vehicle that can deliver the services and products as regionally requested. The CPA also requires that this market be educated on the offered product or services. Consumer education enhances the demand for the product or services; therefore acts, as a precursor in creating the necessary demand for the products and services to be provided to this market by the Access legislation.

5.8. Theme 6: SMMEs as a competitive advantage

Some respondents perceived SMMEs as more versatile, agile and ingenious or innovative than their larger counterparts; therefore there is a view of utilising SMMEs as a competitive edge in innovation and turnaround on delivery.

“SMME’s seems to be the ones with the time on their hands and that is what corporate needs because you cannot stay competitive coming up with ideas and being different to everyone else” (P19: Interview 5 -TN.pdf - 19:23).

“...from a creative perspective, especially digital, I have the seen the explosion within the media arena that everyone is on for instance twitter, if you not on you nowhere that kind of thing. If people are not quick to react or agile, you have lost it and we have found that the agile suppliers are the lot smaller SMME start-up guys are able to turnaround in no time which is what we need” (P19: Interview 5 -TN.pdf - 19:26).

“Having that source of competitive advantage in the back of your mind to identify which is the appropriate enterprise to give the opportunities to, I think they are out there” (P23: Interview 10 - KN.pdf - 23:8).

In summary, the opportunities seen in the BOP market in addition to the requirements from the Access legislation is encouraging companies to think differently or more innovatively on how to take advantage of the opportunities in the BOP market above and beyond the legislative requirements.

5.9. Summary of findings

There is a mind-set shift of the BBBEE and Access BEE legislations, which has evolved in them being given top priority from a strategic point of view. Hindrances are recognised against supporting SMMEs from the current BBBEE Act being seen as flawed of which flaw has been remedied by introduction of the DTI codes. It requires a specific inclusion of SMMEs in business supply chains, as seen this will provide SMMEs better access to markets. There is still work to be done by government in providing business the clarity needed in legislation therefore not rendering them to their own interpretation of the law; in their monitoring non-compliant companies and internal legislative alignment which do not conflict against support of SMMEs.

There are already examples of inclusion of SMMEs in business core functions and supply chains as seen with the equity equivalent programs. This EDP is currently seen as an exception EDP and mostly utilised by multinational companies who do not want to part with their company shareholding to earn BEE points, therefore opt for this type of EDP equivalent to the monetary value of the waived shareholding requirement under the current BBBEE Act.

Business requires encouragement with the current BEE legislations from their requirement of government's collaborative approach in policy making to seeing successful examples of inclusion of SMMEs in core business functions. The current lack of financial and business acumen realised in most SMMEs is a huge hindrance to them being trusted enough to include in business core functions, including supply chains. Business also has work to do in terms of aligning their internal procurement structures to support SMMEs who are part of their EDPs.

In the overall, business sees opportunity in the BOP market, and encouraged by both the new DTI codes and Access legislations to include SMMEs in their engagement with the BOP market. The flexibility and agility seen in SMMEs is seen to give business a competitive advantage therefore encourages utilisation of SMMEs as well.

Chapter 6: Discussion of Results

6.1. Introduction

The purpose of this chapter is to compare the findings to the literature reviewed in Chapter 2 of this research report.

This study sought to answer to the following research questions:

- a) Does compliance to the BBBEE Act by corporate South Africa enforce inclusion in their business strategies to support SMMEs?
- b) Does compliance to the CPA and the necessary requirement for consumer education and access by Corporate South Africa companies enforce inclusion in their business strategies to support SMMEs?
- c) Is a BOP concept applied in any of the companies interviewed therefore infers support of SMMEs?

6.2. Does compliance to the BBBEE Act by corporate South Africa enforce inclusion in business strategies to support SMMEs?

The semi-structured interview focus questions under the BBBEE Act were relevant to enterprise and supplier development of SMMEs, as combined under the new DTI codes. Therefore, the question is whether these SMMEs, as part of the company EDPs, were utilised as enterprises and suppliers of the business delivery of their products and services to their clients.

There has been no visible improvement in the Global Entrepreneurship Monitor (GEM) data on SMME activity in South Africa (Singer et al., 2015 & Herrington et al., 2014). Due to this lack of improvement, its growth has had minimal contribution to the reduction in poverty and income inequity levels of the country (Lehohla, 2014; DTI, 2005; Herrington et al., 2014 & Singer et al., 2015).

SMME activity is important because of the SMMES' capability of absorbing the labour force; therefore increased activity in SMMEs would have an effect on unemployment, poverty and income inequality levels (Bischoff & Wood, 2013; Jamali, Lund-Thomsen and Jeppesen, 2015).

Demonstrated from the findings is that corporate South Africa does recognise the importance of compliance to the BEE legislative requirements and have shown that the BEE legislative issues are addressed at board level as a priority agenda item, as supported in the study by Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013) & Esser & Dekker's (2008) in terms of the positive effect the BBBEE Act has towards business taking responsibility of CSR issues.

Even though the findings include the BEE legislation as a board priority item, they contradict findings in Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013) that corporates have not fully utilised the EDP investment as a means of achieving their strategic objectives or to unlock their transformative potential.

What is also demonstrated is that even though companies are driving EDPs, there were very little inclusions of SMMEs in their supply chains except for the few exceptions found in the equity equivalent programs. There is evidence though that business is gearing up to include SMMEs in their supply chains supporting findings in Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013). Methvin, et al (2013) noted the necessity of companies to have a more strategic intent with regards to the new legislation in terms of inclusion of SMMEs in their supply chains. Also that company's considering the new DTI codes as a tick box exercise will struggle under the new legislation.

6.2.1. Initial perceptions of the BBBEE Act

A finding which could explain why there is slow growth in SMME activity (Lehohla, 2014 & DTI, 2005) is a flaw found in the current BBBEE Act. The flaw is that the Act does not encourage inclusion of SMMEs in the business supply chain and it is not explicitly stated. Another possible reason from this finding is that some companies are reluctant to include SMMEs in their supply chains.

The finding the Act as ineffective could be that it is viewed as a 'tick box' exercise. Substantiating the Jamali and Mirshak (2007) counter argument that instead of corporate social responsibility being linked to business performance, it was included as an incoherent legal tick box exercise to safe guard shareholder and government relationships.

The finding that the BEE legislation was seen as reverse apartheid could also explain the reason for adherence to the act being treated as a 'tick box' exercise. This is contradictory to Jamali and Mirshak (2007) who postulated that it would be seen as a win-win situation for both the corporation and its CSR benefactors.

The finding that sees government's approach as a 'hitting stick' instead of a collaborative one refers to this having acted as an impediment to implementation of the BBBEE Act. Thus, its progress could have been more advanced had business been approached with a more collaborative strategy. In contrast, Ertner (2013) makes reference to the Act had been published only after a consultative process with business and union leaders was followed.

From the findings, the interviewees remarked that the legislation is too broad; therefore it is up to business to depend on its own interpretation of the law, which might also impede the Act's progress with business. Government is perceived as having failed to provide clear guidelines. This is supporting Bouhail's (2012) findings with regards to the financial sector consumer education legislation, where government was found to be incoherent and misaligned internally which impeded progress for the sector.

The government is perceived as a hindrance or barrier in supporting SMMEs because of their lack of monitoring of noncompliant businesses. There is a lack of punitive resolve from government for those that are noncompliant. There is no literature under the BBBEE Act therefore unsupported but noted is literature under the CPA which is similar to this finding, in Ardic et al. (2011) of a lack of monitoring and enforcement capacities necessary due to governments lacking the necessary resource. Also congruent to Ray, (2013) account of government providing guidelines for funding but failed to provide guidelines to monitor and measure the sustainable development of CSR activities.

According to the findings, the government is also an impediment to business where certain approved legislations, meant to protect and provide access of products and services to the BOP market, resulted in an SMME market not being able to compete. Therefore, there is misalignment in legislations, acting against broad-based economic empowerment. This is congruent to Bouhail's (2012) finding to the financial sector consumer education legislation, where government was found to be incoherent and internally misaligned which impeded progress.

6.2.2. Other mitigating reasons to the Act's slow progress

SMMEs' lack of financial and business acumen has constrained their growth, where this lack of capability even if included in the Enterprise Development Programs (EDPs), restricts the business from including them in the supply chain as seen in Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013). Methvin, et al (2013) noted the lack of SMME skills base constraints business from including SMMEs in their core business functions, as seen too risky. Also that very few corporate's Business Development Services (BDS), such as financial literacy training, mentoring and business incubation were positioned around enterprise development strategies even given this lack in SMMEs. This finding is congruent to the 2014 GEM South Africa report which recommended that to improve the SMMEs' performance it would require improving their skills base (Herrington et al., 2014).

6.2.3. The mind-set shift

Moving away from perceiving the Act as being adhered to as a 'tick box' exercise was due to a mind-set shift in the fundamental understanding that non-compliance to the Act itself could have financial performance ramifications. Therefore, business's broad strategy adaptation of the BEE scorecard is supporting Jamali & Mirshak's (2007) integrated approach of how corporate social responsibility investment could be interlocked with performance domains across the corporation.

The findings support Apospori, Zografos, & Magrizos, (2012) in the respondent's fundamental understanding on the broader community effect SMMEs' inclusion into the business supply chains can have.

This is congruent to the King III Report that inequity of the past is not good for doing business (IodSA, 2009). This is also supporting Harrison, & Wicks, (2013), that the Freeman's (1984) stakeholder theory was the connecting vehicle between ethics and strategy, by business considering CSR stakeholders into its strategies for performance.

In business's inclusion of SMMEs, in compliance with the BBBEE Act on enterprise development, stems the strategic intent to include them in their procurement spends, supporting Karmani's (2007) proposition for procurement from BOP SMMEs. This is supporting the intent of the Act itself (DTI, 2005 & 2012).

There is a counter argument to the usefulness of transformational consultants and verification agents. On the one hand, they provide an integral part to the reporting of the BEE scorecard; on the other hand, they might be a hindrance to true transformation. The positive view is that they provide the capacity needed by companies to adhere to the legislation. The negative view is that they dilute transformation because the leaders of the organisation should be taking the lead on transformational issues, as they know their business more than the consultant would. This view is supporting Jamali & Mirshak (2007) that CSR should be a strategic intent of the business.

In summary, the findings show that the BEE scorecard was initially seen as a 'tick box' exercise, therefore supporting the counter argument found in Jamali and Mirshak (2007). With understanding of the performance ramifications of non-compliance, a movement towards the BEE scorecard is being included as part of the business strategic intent, which is supporting Jamali & Mirshak's (2007) theory on CSR of being an integral part of the business strategy.

There are other mitigating reasons for the Act's progress which speaks to the SMME readiness due to their lack of financial and business acumen, which puts doubt on their delivery as seen in Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013).

6.2.4. New DTI codes

The new DTI codes were seen as a solution to the flaw of the current BBBEE Act not explicitly requiring business to include SMMEs in their supply chain. This is congruent to findings from Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013).

The new DTI codes are aligned to Jamali & Mirshak's (2007) integrated approach. It supports the win-win approach in exchange for BEE points which revert to business performance.

The current BBBEE Act is perceived as ineffective in enforcing inclusion of SMMEs in the business supply chain due to its failure to encompass a broad form of economic empowerment of SMMEs in South Africa. This resonates with the criticism of the BEE legislation that is it not the broad-based economic empowerment tool it was meant to be because it has only managed to include an elite few to economic empowerment (Patel & Graham, 2012 & Dansereau, 2010).

The new DTI codes have an explicit requirement for the inclusion of SMMEs in the business supply chain. From the findings, most of the respondents spoke of SMMEs included in the EDPs and inclusion of them in their procurement spend, which supports Karmani's (2007) proposition that business should procure from the BOP market or should utilise the services of the BOP suppliers or SMMEs.

The only concern is clarity, in the sense that Karmani (2007), unlike Pfeiffer (2015), does not infer that SMMEs should be included in the supply chain or recognised as being part of the process in the final output. Karmani (2007) only speaks of procuring from the BOP market or SMMEs and does not infer inclusion in the supply chain as defined above. It could be the kitchen catering or cleaning of office floors as opposed to inclusion in the supply of a memory chip that is central to the supply chain of the company's value proposition.

In summary, businesses were reluctant to implement the BBBEE Act because they viewed it as reverse apartheid and they perceived the government as a non-collaborative disciplinary. However, the mind-shift came with the fundamental understanding that non-compliance to the Act can have grave ramifications on the businesses' performance; therefore the BEE scorecard introduced strategic attention. Hindrances it was found that SMMEs need improvement because of their lack of financial and business acumen, to be trusted and utilised by business.

6.3. Does compliance to the CPA and the necessary requirement for consumer education and access by Corporate South Africa companies enforce inclusion in their business strategies to support SMMEs?

It was also found that the Access legislation is intended for inclusion or access of PDIs or BOP consumers to products and services that is available in the country. This finding is supported by Ardic et al. (2011), & Jacobs et al. (2010), & Wilson, (2011) with regards to the intention of the Access legislation within the CPA, which is for the protection of the consumer due to information asymmetry and vulnerability of this group of individuals.

The finding that consumer education includes consumer financial literacy is supporting Brix & McKee (2010) who suggested that access to financial services sector products could result in substantive benefits to poor households, including financial literacy education.

The finding sees the Access legislation as prescriptive. The legislation requirement for appropriateness of product is that business should provide a bespoke product and service offering to the BOP consumer. The finding on the prescriptiveness of the legislation from the number of units to the proximity radius of services availed to the BOP consumer and that it is a requirement that the BOP consumer should be transacted to, at point of sale, in their respective South African languages. This is supporting findings from Bouhail (2012) in the financial sector codes BEE scorecard, which illustrates the prescriptiveness of the requirements, an example being the proximity requirements for transactional; services and sales of fifteen, ten and five kilometre respectively from the consumer.

The finding on the Access legislation has very strict requirements as seen above, this finding agrees to the notion of a bespoke implementation to the South Africa dynamics or culture as necessary such as understanding the dynamics of spaza shops found in the townships of South Africa. Therefore, business cannot provide products that are a cut and paste of existing products, but business must embed itself into the BOP market to understand the dynamics of the market. Therefore their ability to provide tailored made products which can be deemed appropriate by the Access legislation as seen in Ardic et al. (2011) & Jacobs et al. (2010).

The finding that sees government not monitoring and applying the necessary punitive measures for non-compliant companies supporting the study by Ardic et al. (2011) that the CPA legislation lacked the monitoring and enforcement capacities necessary due to lack of resources. This lack of resources, as a hindrance, is also seen in the research done by Ray, (2013) in India which saw this lack in measuring on the progress made from compulsory act in CSR management of the country.

In summary, the findings support that the access legislation is part of the BEE scorecard. Determined in earlier findings is that the BEE scorecard has a strategic focus from business. Given the prescriptiveness of the Access legislation, business is gearing up to cater to these requirements.

6.4. Is a BOP concept applied in any of the companies interviewed therefore infers support of SMMEs?

Prahalad & Hammond's (2002), & Prahalad, (2009) BOP concept is supported in the findings of successful examples of inclusion of SMMEs in the supply of services and products to the BOP market by successful utilisation of SMMEs in deploying products and services to the BOP market, on the merit that it is the most cost effective way of providing that market their products and services.

Furthermore, there are findings of SMMEs being included in the procurement spend intent as part of supporting their development is supporting Karman, (2007) who proposes that business procures from SMME suppliers. Given that both these method findings have been found in this research, the Hahn (2009) integrated approach is affirmatively supporting the research question.

The finding where such examples are given, support the Oodith & Parumasur's (2013) proposition that the BOP concept can work for South Africa if it can follow an efficiently implemented process bespoke to the South African market dynamics, of which these finding demonstrates.

The finding that also demonstrates successful inclusion of SMMEs in the business supply chain is an EDP model called the Equity Equivalent, which is supporting both the Prahalad & Hammond (2002), & Karmani, (2007) proposition, therefore Hahn, (2009).

Hahn (2009) proposes that business should undertake an integrated approach to supporting SMMEs, which is utilising the BOP concept to provide services and products to the BOP market. In addition, they should utilise Karmani's procurement proposition, which talks to business utilising suppliers from the BOP market.

Findings that SMMEs are a source of competitive advantage, due to their operating agility and innovativeness, of which supports Prahalad, (2011); Shyle, (2011); Basu, (2011) & Sinha, (2013) advocated the BOP as a source of innovations, which would give business competitive advantage. Contrary to Gollakota, Gupta, & Bork, (2010) whose findings say that companies find the BOP market unprofitable.

Noted is Prahalad's (2011) proposition that BOP is a source of breakthrough innovation and provided how business could access this through his 4As: awareness; access; affordability and availability. Connecting the BOP market to the access legislation as all these elements speak to what the access legislation requires of business in unison with Ardic et al. (2011), & Jacobs et al. (2010), & Wilson, (2011).

In summary, there are successful examples in South Africa of business utilising SMMEs in delivery to the BOP market, therefore the application of Prahalad and Hammond's (2002) & Prahalad, (2009) BOP concept and findings in support of Karmani (2007). There are also findings of SMMEs being included in business supply chains and that is in the equity equivalent programmes. There is a finding which supports Prahalad, (2011) proposition that the BOP is a source of breakthrough innovations which would give business their competitive advantage.

6.5. Summary of Results

The findings support Esser & Dekker's (2008) on the positive effect the legislations have had on corporate's taking social responsibility and Jamali & Mirshak's (2007) integrated approach to CSR and Harrison & Wicks (2013) application of a triple bottom line approach.

The findings that the BEE legislation was seen as a 'tick box' exercise, is contradictory to Jamali and Mirshak (2007) who postulate that it would be seen as win-win situation for both the corporation and its CSR benefactors.

The findings confirm inclusion of the BEE scorecard issues as company board priority item, they contradict findings in Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013) that corporates have not fully utilised the EDP investment as a means of achieving their strategic objectives or to unlock their transformative potential.

The findings support Apospori, Zografos, & Magrizos, (2012) in the respondent's fundamental understanding on the broader community effect SMMEs' inclusion into the business supply chains can have.

The findings support the findings in Methvin, Pichulik, Hofer, Jokeit, & Kissane, (2013) that business is gearing up for the new DTI codes, which requires them to include SMMEs in their supply chains.

The findings that there is lack of financial and business acumen in SMMEs which acts as a hindrance to SMMEs' inclusion into the business core functions, thus supply chains is supporting Herrington et al., 2014 & Methvin, Pichulik, Hofer, Jokeit, & Kissane's, (2013) recommendation that to improve the SMMEs' performance it would require improving their skills base. Noted as well from Methvin, et al (2013) findings is that that very few corporate's business development services, such as financial literacy training, mentoring and business incubation were positioned around enterprise development strategies even given this lack in SMMEs.

The findings under the BBBEE Act legislation of the lack of government in monitoring and applying the necessary punitive measures for non-compliant companies which is linked to the findings in Ardic et al. (2011) relevant to the CPA legislation.

The findings that government has failed to provide clear guidelines, is congruent to Bouhail's (2012) findings with regards to the financial sector consumer education legislation, where government was found to be incoherent and misaligned internally which impeded progress for the sector.

The findings that the Access legislation is intended for inclusion or access of PDIs or BOP consumers to products and services that is available in the country. This finding is supported by Ardic et al. (2011); Jacobs et al. (2010) & Wilson, (2011).

The findings on the prescriptiveness of the Access legislation is supporting Bouhail (2012) findings with the financial services sector in for instance proximity requirements for transactional; services and sales of fifteen, ten and five kilometre respectively from the consumer.

The findings support Ardic et al. (2011) & Jacobs et al. (2010) in that the created BOP products and services cannot be a cut a paste exercise of existing products but have to be appropriate for the intended BOP market, which agrees to the intention of the Access legislation.

The findings support Prahalad & Hammond's (2002) BOP concept including Karmani's (2007) procurement from BOP SMME supplier proposition application in South Africa. Findings also support that business does see opportunity within the BOP market as noted in Prahalad, (2009) that there are riches at the bottom of the pyramid.

The finding that BOP SMMEs are able to provide business a competitive advantage because of their operating agility and innovativeness, which is supporting Prahalad, (2011); Shyle, (2011); Basu, (2011) & Sinha, (2013) who advocate that BOP is a source of innovations. Contrary to Gollakota, Gupta, & Bork, (2010) whose findings say that companies find the BOP market unprofitable.

Chapter 7: Conclusions and Recommendations

7.1. Introduction

This chapter draws conclusions based on the literature and the findings, which provide answers to the research questions of this study. It provides recommendations to the research question stakeholders and offers recommendation for future research.

7.2. Has the BBBEE Act been effective?

The findings reveal that with the mind-set shift of a fundamental understanding that non-compliance to the BBBEE Act can cost business their performance, the BEE scorecard started receiving strategic attention versus it being treated as a 'tick box' exercise as was initially the case. But even with the company board prioritisation of the BEE scorecard, there is very little evidence that the current EDPs have been successful in creating the necessary growth in the South African SMME sector (Singer et al., 2015 & Herrington et al., 2014).

Findings reveal the current BBBEE Act is flawed because it does not encourage inclusion of SMMEs in the business supply chain. The new DTI codes prescribe inclusion of the SMMEs in the supply chain. Intention of the DTI for the inclusion of SMMEs in the business supply chain is to provide them opportunity to access markets (DTI, 2012). Pfeiffer, 2015 refers this to mean, being part of the integral business production process to the final output of product and service to the business client.

The key finding in this research is that there is an EDP model that includes SMMEs in the business supply chain and value chain. This EDP model is an exception to the traditional EDP model; this refers to the equity equivalent programme (EEP). The EEP is approved by the DTI for multinational companies that opt to adopt this model rather than part with company shareholding. The EEP is prescriptive to the multinationals in the detail of the development of the SMMEs chosen by the multinational company to part-take in the program. One of the prescriptions is that the SMME must be able to operate in the same function as the business at completion of the program, which includes the SMME having access to the same global markets as the business managing the EEP. This finding provides a view of how the current traditional EDPs can evolve in including SMMEs in business supply chains judging from the finding on the EEPs, under the new DTI codes.

One of the key finding hindrances against support of SMMEs is the SMMEs' lack of readiness for inclusion in business supply chains. This refers to the SMMEs lack of financial and business acumen, noted as the largest challenge business has and therefore seen as a risk to include them in core business functions (Herrington et al., 2014 & Methvin, Pichulik, Hofer, Jokeit, & Kissane's, 2013). Noting as well from Methvin's, et al (2013) research findings is that that very few corporate's business development services, such as financial literacy training, mentoring and business incubation were positioned around enterprise development strategies even given this lack in SMMEs.

Taking cognisance of the literature and findings, the BBBEE Act has influenced corporate South African companies to include the BEE scorecard as a priority company board agenda item. But to the research question of whether it has been effective in influencing corporate South African companies to support SMMEs, the answer is no. Judging only from the insignificant SMME sector growth in South Africa (Singer et al., 2015 & Herrington et al., 2014), and only in consideration of the SMMEs lack of financial and business acumen, as the largest negatively influencing factor therefore assuming that all other influencing factors have an insignificant weighting to influence this view.

7.3. Has the Access legislation been effective?

The findings support that the access legislation is very prescriptive (Bouhail 2012) and requires that business create appropriate products that fit the BOP market needs (Ardic et al. 2011 & Jacobs et al. 2010).

The findings support that business is gearing up in adherence to the access legislation and that this law forms part of the BEE scorecard. Findings also confirm that the BEE scorecard has strategic focus from business because non-compliance to this BEE scorecard will result in a loss of BEE points, which will affect the business performance (Ardic et al. 2011; Jacobs et al. 2010 & Wilson, 2011).

Key finding from this research is that because there is added BEE scorecard pressure from the new DTI codes, most businesses confirmed there will be a drop in their BEE levels (Ardic et al. 2011; Jacobs et al. 2010 & Wilson, 2011), therefore they are hoping to make up points from the access legislation. The new DTI codes, with enterprise and supplier development deemed a priority element, large companies will drop two BEE

levels if found non-compliant (DTI, 2012). With Access, they are likely to gain fourteen points if complying with the act 100% (DTI, 2015).

Taking cognisance of the literature and findings, there is not enough evidence that demonstrates the effectiveness of this legislation as with the new DTI codes, as there has not been enough traction in the legislative business environment pertaining to this legislation to provide an answer either way. There can only be conjecture that as with the DTI codes, much is expected given the prescriptiveness of the legislation (Bouhail 2012) seems to encourage business to utilise SMMEs in rendering their required product and service delivery to the BOP market judging from elements such as language and proximity in servicing the BOP market from sales personnel to suppliers.

7.4. Is there application of a BOP concept?

There is literature that supports the findings on the application of a BOP concept in South Africa for companies selling to the BOP market and companies procuring from BOP SMMEs. The SMMEs utilised were seen to be more cost effective than business going direct, therefore supports Prahalad and Hammonds' (2002) BOP concept. The procurement spends with SMMEs stems from them being part of the business's EDPs Therefore supports Karmani's (2007) proposition for business to procure from BOP SMMEs.

The key finding from this study is that South Africa utilises both the BOP concept and the procurement proposition; therefore the findings support Hahn's (2009) integrated approach which is a combination of Prahalad and Hammond, (2002) and Karmani, (2007). As there was no literature found, in the context of South Africa, that provides this information, this adds to the academic literature pool in the context of South Africa.

The finding that BOP SMMEs are able to provide business a competitive advantage because of their operating agility and innovativeness, which supports Prahalad, (2011); Shyle, (2011); Basu, (2011) & Sinha, (2013) who advocate that BOP is a source of innovations.

Taking cognisance of the literature and findings, the answer to this research question is an emphatic yes including findings that not only do companies in South Africa apply Prahalad & Hammond's (2002); Prahalad, (2009) & Karmani, (2007) propositions in support of SMMEs.

Prahalad's, (2011) work expects more to come towards the BOP market viewing the BOP as a source of breakthrough innovations based on evidence of same globally. Granted that Olsen, & Boxenbaum, (2010) research contracts implementation of BOP concept, there's no literature found refuting that BOP has enabled breakthrough innovations supported by Shyle, (2011); Basu, (2011) & Sinha, (2013).

7.5. Recommendations

The conversation stemming from compliance with the BBBEE Act on enterprise and supplier development has evolved to how the SMMEs can be strategically utilised to gain a competitive advantage by business. This would require business to penetrate BOP markets either seeking opportunities or adhering to the access legislation.

Recommendation to management is that as suggested by Singh, Bakshi, & Mishra, (2014) for market development, that is pursue BOP projects; business should use CSR to augment the projects. The benefits noted from this is that one, it reduces the risk in the BOP project therefore better chances of success. Two, if cloaked as a CSR project, the business it will be easy to rally employees to part-take in the BOP project. Three, if it includes the BOP community in that 'last mile' it will gain more traction in the intended BOP market given the opportunities given to the market. Four in partnering with government the business efforts would augment from their inclusion and last, the BOP project initiatives will result in the development on BOP consumption and supply of the business product and services. Complemented by Prahalad's (2011) 4As: awareness, access, affordability and availability. Following an in-depth cost management strategy as suggested by Gollakota, Gupta, & Bork's, (2010) to attain profitability in BOP markets.

The above seems like a winning formula that management can apply as a guide to how to do business successfully in the BOP market.

7.6. Recommendations for future research

Recommendation for further study pertaining to the first research question for a more comprehensive research study to be conducted at the inclusion of all feasible factors that can influence SMME sector's lack of growth. Judging each factor according to its merit of degree of positive or negative influence for or against support of SMMEs in South Africa, to provide a more conclusive answer to the question of whether this particular factor viewed in isolation has been effective in supporting SMMEs in South Africa.

Recommendation for further study pertaining to the second research question is a review of this research after a year or more to see if the legislation has effectively influenced corporate South African companies who provide product and services direct to the BOP market to support SMMEs.

Recommendation for further study pertaining to the third research question would be for additional study specific to the South African market with the intention of creating a framework which can be applied by companies in South Africa taking cognisance of Prahalad's (2011) 4As of awareness, access, affordability and availability as a winning formula for gearing the business to breakthrough innovations within the BOP market.

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APPENDICES

1. Interview guide



Writing interview protocols (1).zip

2. Interview script

Interview Script V2

Factors affecting Corporate South Africa strategies to support SMMEs in South Africa

June-August 2015

1. Introduction

- Introductions
- Purpose for the interview: what the study topic is and why it was chosen
- Briefly about myself
- An explanation of how the interview process will work and how the information will be used in the analysis process.
- The interview session will take an hour.
- Signing of the confidentiality and anonymity, contract with interviewee (if not already signed before interview).

2. Interviewee's experience with the following BEE legislations

a. BBBEE Act

- What has been your experience with this legislation?
- Which part do you find most challenging or easy?
- Tell me about the structure or process towards compliance with this legislation?
- Given your experience, what recommendations would you give the government of South Africa?

i. Enterprise Development (ED),

- Tell me about your ED program?
- Tell me about the journey of choosing the enterprises?
- How long are your enterprises 'adopted' or incubated by your initiative
- Are there any success stories?
- Do you believe they are sustainable outside of your combination and why?
- If not, how do you think they can be sustained?
- Have you kept in touch with those enterprises that you developed and what format is this contact maintained
- What are the most important lessons learned from your experience with your ED program

b. Consumer Protection Act (specifically on Consumer Education and Access of products/services to the bottom/base of the pyramid type consumer)

- What has been your experience with this legislation?
- Tell me about the structure or process towards compliance with this legislation?
- Are there success stories from your experience in your current company or your previous company trading in South Africa?
- How do you see the future of your company given this legislation?

3. Bottom of the pyramid market

- Are there suppliers that you are using as a company that comes from this market?
- What has been your experience?
- If you were president of South Africa and trying to solve the problem of economic inclusion of this market, what would you do?
- Is there a model that you've seen work locally or internationally that you could recommend to South Africa?
 - If there is, what did you like about it?
 - What part(s) if not whole, could apply to South Africa?
- How do you view the future of SMMEs in South Africa?
- If not sustainable, is there a role that you would give corporations in South Africa to assist in the economic inclusion of SMMEs in South Africa?
- If sustainable, in addition to what you've been mentioned, do you think can be done better/more to increase this % of sustainability?
- What other comments could you share with me on the topic of SMMEs in South Africa and their sustainability?

Interviewer contact details:

Name: Pamela Ramagaga
Cell phone number: 078 863 9746
Email: 443910@mygibs.co.za

Interviewee contact details: For possible subsequent questions

Name:.....
Contact number:
Email:

3. Consent form

Participant's information consent document

Study Title: Factors affecting Corporate South Africa strategies to support SMMEs

Sponsor:

Principal Investigators: Pamela Ramagaga

Institution: Gordon Institute of Business Science

Daytime and after hours telephone number(s):

Daytime numbers: 078 863 9746

Afterhours: 078 863 9746

Date and Time of first informed consent discussion:

Date:

Month:

Year:

Time:

Dear Mr. / Mrs. date of consent procedure/...../2015

1. Introduction

You are invited to volunteer for a research study. This information leaflet is to help you to decide if you would like to participate. Before you agree to take part in this study you should fully understand what is involved. If you have any questions, which are not fully explained in this leaflet, do not hesitate to ask the investigator. You should not agree to take part unless you are completely happy about all the procedures involved.

Your participation in this study is voluntary. You can refuse to participate or stop at any time without giving any reason without penalty. Anonymity cannot be guaranteed, since your identity will be known. Confidentiality can be assured. Once you have signed off the interview, you cannot recall your consent.

2. The nature and purpose of this study

You are invited to take part in a research study. The aim of this study is to evaluate **Factors affecting Corporate South Africa strategies to support SMMEs in South Africa.**

By doing so we wish to learn more about how these factors and how they influence support to SMMEs.

Research study format is an interview, which is expected to last about an hour. Your participation is voluntary and you can withdraw at any time without penalty.

3. Explanation of procedures to be followed

Please refer to the Interview Script

All data will be kept confidential. If you have any concerns, please contact my supervisor or myself. Our details are provided below.

Research Supervisor

Name: Dr Kerrin Myres

Email: kerrin@resonance.co.za

Phone: +27 11 485 3055

Researcher

Name: Pamela Ramagaga

Email: 443910@mygibs.co.za

Cellular: +27 78 863 9746

Name of participant: _____

Email: _____

Phone: _____

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

Interview Summary

ID:	
Date:	
Length of Interview	

1. How would describe the interviewee's overall attitude about GIBS at the moment: content, frustrated, discouraged, apprehensive, relaxed, etc?

.....

2. Which question(s) resonated the most with you? And why?

.....

3. Any worth following up on: Please indicate which question(s)?

.....

4. Code List

HU: Pam Ramagaga_Atlas.ti project

File: [C:\Users\s159435\Desktop\MBA\YEAR 2\RESEARCH MODULE\INTERVIEWS\...\Pam Ramagaga_Atlas.ti project.]

Edited by: Super

Date/Time: 2015-11-01 14:50:52

1. A need for a collaborative approach between public and private sector
2. A need for respect from government towards private sector
3. A need of success stories to demonstrate Small Medium and Micro-Enterprise (SMME) partnerships can work
4. Access into the emerging market not easily associated with Black Economic Empowerment (BEE) legislation
5. Access legislation tying the gap from Employment Equity (EE) to diverse consumer product and service penetration
6. Access prompting geographic representation of diverse supply chain, e.g. 20km radius requirement
7. Access requirement prompting transformed supply chain
8. Access requirements; require company to unlearn certain behaviours and experiences in respect of (i.r.o) emerging market
9. Access requires diversity in employees and supply chain to cater to the Access requirements
10. Access to business outside of Enterprise Development Program (EDP) owner
11. Accommodating local language in the business contract
12. At the end of the day, it is o..(direct quote)
13. BBBEE Act looking at the broader issues of Sustainability
14. BBBEE Act tick box exercise
15. BEE is still the responsibility of the CEO shouldn't be left to the consultant alone
16. BEE score card pressure on private sector to do business

17. BEE scorecard elements were previously dealt with in Silo
18. Before there were no sector codes just the broad sector codes
19. Broader aspects of the BBBEE Act
20. Business Fairs as a way of interacting with SMMEs
21. Business involvement in the nomination of SMMEs for EDP
22. Business Leaders need to drive the transformation strategy not the consultants
23. Centralised vs Decentralised approach to EDP
24. Challenge of using Third Parties (TPs) for BEE compliance
25. Challenge, don't have products to fit the emerging market
26. Challenges in taking on SMMEs
27. Challenges of finding SMMEs aligned to Value Chain
28. Changing external environments
29. Client pressure or loss of business because suppliers are not transformed or compliant
30. Commercial viability of Government's expectation from private sector
31. Community benefit from the commercial offering
32. Community business replaced by Big Corporates
33. Companies are negatively affected by the new Department of Trade and Industry (DTI) codes due to changes in weightings of the BEE Scorecard
34. Companies are seeing an opportunity in the emerging market
35. Companies reluctant to include SMMEs into the core component of their supply chain
36. Companies seeking Women SMMEs
37. Companies will follow the trends; trend is into the emerging market
38. Company Capacity constraints to incubate SMME businesses
39. Company reporting after January 2016 have a tough call to make given the NEW DTI codes in January 2016
40. Company vendor demand on SMME vs SMME looking for additional

clients

41. Complex law creating a new transformation consulting industry
42. Consideration of emerging market culture is important
43. Consultants lack of in-depth understanding to drive transformation strategy
44. Consultants on BEE obliged to report Fronting
45. Consultants, negative comment
46. Consumer Access correlation to the diversity in the company and diverse supply chain
47. Consumer access, increased demand
48. Consumer Education, expand business offering
49. Consumer Education, Tick Box
50. Consumer education, vice against abuse
51. Conundrum of direction of spend: BEE or non-BEE companies who have supported and are producing good quality service/products
52. Corporates need to be structured to effectively assist SMMEs to patch their learning gaps
53. Correlation between Employment Equity and Supply Chain
54. Creating an enabling environment for SMMEs
55. Customer pressure to use SMMEs/Transformed companies
56. Difficult to support BEE when government can't be trusted
57. Directors of the company are deemed To Know
58. Disturbing ripple effect of generic code changes on the sector codes – more onerous
59. EDP recipients need to learn to stand on their own two feet
60. Emerging Market, can't be a cut and paste exercise
61. Equity Equivalent Program
62. Equity Equivalent Program - success story
63. Ex-employees given opportunity as SMMEs as part of the company value chain

64. Financial Services Sector, some large companies have been given audience for input into new FSC codes aligned to the new DTI Codes
65. For the emerging market, find different way of selling the company's value proposition can't be a copy and paste exercise
66. Forestry Sector requirement to buy SMMEs
67. Fronting stunts the growth of the SMME
68. Funding a hindrance to SMME development
69. Future for SMMEs is digital not goods
70. General panic in respect of (i.r.o) new DTI codes, government has not appeased the questions private has
71. Geography of SMME plays a part in choosing an SMME for inclusion into EDP
72. Global company decisions in conflict with local company country requirements e.g. BEE legislation
73. Good BEE rating but still predominantly dealing with white companies
74. Government's big stick approach towards business
75. Government's private sector pressure towards creation of black industrialist
76. Government does not follow up on set legislation
77. Government needs to be a littl..(direct quote)
78. Great need for financial acumen in SMMEs
79. I personally have had conversation..(direct quote)
80. I think from a procurement poi..(direct quote)
81. If legislation too broad it creates monitoring problems
82. Importance of having an intentional strategy: strong directive
83. Inconsistency in the BEE legislation causing problems with compliance as goal posts change
84. Incorporation of agile and innovative SMMEs into the bigger company brand
85. Industry specific BEE legislation reactions
86. Infrastructure Assistance to provide SMMEs with equal footing beyond the

EDP

87. Lack of engagement with Suppliers on what the Company's value proposition is: Consumer Education
88. Lack of understanding and mistrust of the emerging market SMMEs
89. Legislation eroded an SMME market
90. Local demand vs Overseas demand cost the decider jeopardising SMME attempts
91. Look at own supply chain for SMMEs to include in EDP
92. Long Term (LT) investment view
93. Mind-set shift
94. Mind-set shift with doubt on quality of service delivery expectation versus (vs) existing Suppliers
95. Misunderstanding of the BBBEE Act
96. Monitoring of noncompliance is not stringent
97. More heart is needed less tick box
98. Multinational companies instead of Shareholding to SMME they opt for Equity Equivalent Programmes - a form of building own Competitor going forward
99. Mutual understanding on both sides iro SMME readiness
100. Need for SMMEs to do research on what businesses to pursue, relevance to larger organisations
101. Need to train SMMEs before they can on-sell your product/service
102. New DTI codes closing the loop in Enterprise and Supplier Development
103. New DTI codes embedding SMME into business practices
104. New DTI codes Fronting is now a criminal offence
105. New DTI codes has a strong engagement requirement than the previous DTI codes on Enterprise/Supplier development
106. New DTI codes requiring a pull towards SMME inclusion into the company supply chain

107. New DTI codes there's a better alignment of the scorecard elements
108. New DTI has a higher loading on EDP/SDP weighs 40 points which is 60% of the scorecard
109. New move to leverage supplier base to tap into potential new markets
110. No regulation for BEE consultants
111. Other non-BEE legislations in support of Access requirements, Financial Services Sector is the Treating Customers Fairly i.r.o understand ability of transacting language; regional representation of the service
112. Partnership mentality vs Have to mentality
113. Past technical errors with the DTI codes has tainted private sector trust in them
114. Pivotal role of industry bodies to give business a voice into their sector codes
115. Prescriptive criteria for EDP SMMEs to earn BEE points
116. Private sector given enough time, slow progress more codes will emanate
117. Problem of Fronting
118. Problem with outsourcing the Transformation responsibility of a company – added responsibility of companies to be compliant
119. Providing bespoke emerging market products and services
120. Providing SMMEs with financial acumen to create sustainability of their business
121. Rate of change is very slow because government has been lenient on corporates
122. Requirement to research the needs of the emerging market
123. Resistance to the BEE legislation & only do the minimum requirements
124. Sector challenges in following the generic BEE codes, due to sector unique dynamics
125. Sector codes introduced to manage the different sector dynamics and therefore BEE legislation effectiveness
126. Sector specific BEE Codes
127. Shareholder pressure to transform

128. Shift away from plain enterprise development to supplier development
129. Size of the SMME is a requirement must be between R5m and R50m in turnover, minimum head count of 5
130. SMME as a competitive edge to servicing company clients
131. SMME has to express explicitly on the support provided to the DTI substantiating the BEE points gained from the support
132. SMME inclusion in EDP aligned to value chain
133. SMME integration into the larger company ecosystem
134. SMME integration must be aligned to country dynamics
135. SMME lack of capacity to manage big businesses stunts their growth
136. SMME needs analysis to be done first, these gaps would equate to the support given
137. SMME needs business management skills transfer
138. SMME support allows them access to finance once capacitated
139. SMME support as part of a distribution model
140. SMME support in the form of Training or Support with Resources or Early Payment vs inclusion in Value Chain
141. SMME support to capacitate their business
142. SMME support to potentially be a partner going forward
143. SMME support to potentially become a service provider
144. SMMEs can then expand their business beyond dependence on the EDP
145. SMMEs in the core value chain
146. SMMEs inclusion is the next progression to stay relevant as business i.r.o innovation
147. SMMEs to do their part
148. SMMEs to give competitive advantage
149. Sourcing of Third party assistance on EDPs
150. Strategy to address the new Financial Services Codes (in reaction to new DTI

- codes) with effect from end of October 2015
151. Strategy to make sure SMMEs in EDP are used: It's a GAP
 152. Structures that might look like fronting but are not
 153. Success of a forced approach to utilising identified SMMEs of an EDP
 154. Success of EDP SMMEs is internal company support to use them when procuring services/products
 155. Success of leadership taking BEE as a personal responsibility
 156. Success stories of innovative SMMEs trading globally
 157. Successful story of SMME partnering to service an emerging market
 158. the best way to develop that m.. (direct quote)
 159. There's a drive to develop township economies
 160. There's an overarching strategy i.r.o the BEE scorecard
 161. Time cap on the EDP programme with SMME meeting DTI requirements of EME or QSE
 162. Transformation consultants used as a source of BEE SMMEs
 163. Unless governments get it right there's no future for SMMEs
 164. Use of autonomous group SMMEs as a business model to service competing clients
 165. Use of SMMEs to reach outlying geographic areas as this access is more cost effective
 166. Use of Third Party incubation programs due to resource constraints
 167. Verification agents gap i.r.o substantiating extent of SMME support
 168. We had to choose vendors that .. (direct quote)
 169. Work directed to SMME because they are part of the company's EDP
 170. Worry iro Globalisation of local companies therefore loss of local objectives