

**Optimising Strategic Partnerships to Lower Failure
Rates in Small Enterprises in South Africa – A
Construction Industry Perspective**

Christiaan Kriel

Student No: 95111159

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Abstract

This study explores how the public and private sectors should cooperate and mutually assist small enterprises to succeed. Optimising strategic partnerships has heightened in importance in order to lower failure rates under small enterprises in South Africa. The South African government has launched a programme to encourage private sector to co-join forces to support incubators that are able to develop small enterprises. This study focuses specifically on small enterprises in the construction industry.

This research study sets out to investigate three major approaches to lower failure rates under small enterprises in the construction industry. Firstly the research identifies relevant processes and relationships cited in the literature. The research seeks to mitigate and identify the risk implications of these recognised processes and relationships, and to construct solutions to lower failure rates in small enterprises.

This study identified that standard construction industry processes and relationship bonds between small enterprises; large construction entities and government, influence and affect strategic partnerships. Ineffective processes and relationships complicate the small enterprise environment, which leads to increased failure rates. The study identified the need for further study in the future that could identify major risks and influencers impacting on processes and relationships. Key elements identified, should be applied to lower failure rates. The risk solutions approach should be to identify, categorised, and mitigate risk, which should be implemented to lower failure rates.

A qualitative study design was adopted to identify processes and relationships. Data was collected from twenty small enterprises and five large corporations within the construction industry in South Africa. Data was collected through semi-structured interviews. An Optimising Strategic Partnership Model derived from the consolidated input that could be applied to identify, categorise, mitigate, and solve processes and relationships needs and assistance required by small enterprises.

Key Words

Strategic Partnerships, Small Enterprises, Public Sector, Private Sector, and Government.

Declaration

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

Name: Christiaan Kriel

Signed:

Date: 9 November 2015

Acknowledgements

Being part of a team is something bigger. When someone is successful it's good for the team as a whole. Everyone is in it together (ESPN).

No one has worked harder, pushed and carried me more than my wife, Zhane. She graduates with me. I hope in future I can be there for you as you have been there for me. Then I want to thank my children Minkje, Pieter-Henk, and little Janke, for allowing me to be so occupied the last 2 years. I promise I will be there for you in the years to come.

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Table of Contents

Abstract	ii
Key Words	iii
Declaration	iv
Acknowledgements	v
Table of Contents.....	vi
List Of Figures.....	x
List Of Tables	xi
Glossary of Terms	xii
Chapter 1: Introduction	1
1.1 Title.....	1
1.2 Introduction Overview	1
1.3 Motivation for Sector Selection	2
1.4 Research Objectives.....	3
1.5 Research Motivation	3
1.6 Research Aim	3
1.6.1 Identify Processes and Relationships between Small Enterprises and various Public and Private Stakeholders	3
1.6.2 Risk and Management Mitigation of Small Enterprise Business Processes and Relationships with various Public and Private Stakeholders	4
1.6.3 Develop a Model to Process and Relationship Risk that Minimise Failure Rates of Small Enterprises.....	4
1.7 Structure of this Research Report.....	5
Chapter 2: Theory and Literature Review	7
2.1 Overview of the Construction Industry.....	7
2.1.1 Introduction	7
2.1.2 Strategic Partnerships.....	9
2.1.3 Small Enterprises	10
2.2 Complex Definitions of Terms	11
2.2.1 Optimisation	11
2.2.2 Strategic Partnerships.....	12
2.2.3 Failure Rate.....	12
2.2.4 Small Enterprise.....	12

2.2.5	Private Sector.....	12
2.2.6	Public Sector.....	12
2.2.7	Relationships.....	13
2.2.8	Construction Processes.....	13
2.2.9	Risk.....	13
2.3	The Role of Small Enterprises in the Construction Industry.....	13
2.3.1	Introduction.....	13
2.3.2	The Small Enterprise.....	14
2.3.3	The Influence Private Sector has on Small Enterprises.....	15
2.3.4	Legislation through Public Sector.....	16
2.4	The Role of Private Sector in the Construction Industry.....	17
2.4.1	Introduction.....	17
2.4.2	The Role Private Sector play.....	17
2.4.3	Public Sector Partnership Programmes with Private Sector and Small Enterprises.....	18
2.4.4	How Small Enterprises interact with Private Sector.....	19
2.5	The Role of the Public Sector in the Construction Industry.....	20
2.5.1	Introduction.....	20
2.5.2	Public Sector role as Infrastructure Driver.....	20
2.5.3	How Small Enterprise conform to the Framework.....	22
2.5.4	Private Sector role player or not.....	23
2.6	Failure of Small Enterprises.....	23
2.6.1	Introduction.....	23
2.6.2	Challenges.....	24
2.6.3	Constraints of Failure.....	25
2.7	Key Influencers, Processes, Relationships and Elements.....	26
2.8	Strategic Partnerships.....	28
2.9	Conclusion.....	30
Chapter 3:	Research Questions.....	32
3.1	Introduction.....	32
3.2	Problem Statement.....	32
3.3	Objective of Research.....	32
3.4	Research Questions.....	32
3.4.1	Research Question One.....	32
3.4.2	Research Question Two.....	33
3.4.3	Research Question Three.....	33

Chapter 4: Proposed Research Methodology	35
4.1 Introduction	35
4.1.1 Research Approach	35
4.1.2 Method Type	35
4.1.3 Study Type	36
4.1.4 Research Strategy	36
4.1.5 Population	37
4.1.6 Unit of Analysis	38
4.1.7 Sample Method and Size	38
4.1.8 Data Gathering Process	38
4.1.9 Analysis Approach	39
4.1.10 Limitations	39
Chapter 5: Results and Findings	41
5.1 Introduction	41
5.2 The Interviews	42
5.2.1 Small Enterprise Interview Information	42
5.2.2 Large Business Interviews	45
5.3 Key Processes and Relationships	45
5.3.1 Process Identification in Small Enterprises	46
5.3.2 Small Enterprise Relationships	48
5.3.3 Large Businesses Process and Relationships Views	50
5.4 Process and Relationship Risk.....	53
5.4.1 The Small Enterprise Process and Relationship Risk.....	53
5.4.2 Large Business Process and Relationship Risk.....	57
5.5 Risk Mitigation.....	58
5.5.1 Small Enterprise Process and Relationship Risk Mitigation.....	59
5.5.2 Large Business Process and Relationship Risk Mitigation	62
5.6 Conclusion.....	65
Chapter 6: Discussions of Results	68
6.1 Identify Key Construction Processes and Relationships	68
6.1.1 Data Collected and Literature Review.....	68
6.1.2 Findings.....	72
6.2 Risk Analysis of Identified Processes and Relationships	74
6.2.1 Data Collection and Literature Reviewed.....	74
6.2.2 Findings.....	77
6.3 Risk Analysis of Identified Processes and Relationships	80

6.3.1	Data Collection and Literature Reviewed	80
6.3.2	Findings.....	84
6.4	Conclusion.....	85
Chapter 7:	Conclusion.....	87
7.1	Major Findings.....	87
7.1.1	Model Design	87
7.1.2	Model Layout.....	88
7.1.3	Model Implementation.....	88
7.2	Recommendations	90
7.3	Future Research.....	90
7.4	Conclusion.....	91
References.....		92
Appendices.....		98
Appendix 1: Government Programmes Small Enterprise Education Programmes		98
Appendix 2: Letter of Consent & Small Enterprises Interview Questionnaire		101
Appendix 3: Letter of Consent & Large Business Interview Questionnaire		103
Appendix 4: Typical Example of Coded Interviews (Small Enterprises)		105
Appendix 5: Typical Example of Coded Interviews (Large Businesses).....		105
Appendix 6: Copyright Declaration Form.....		106
Appendix 7: Ethical Clearance Confirmation Letter		108
Appendix 8: Turnitin Report		109

List Of Figures

Figure 1: Typical Construction Industry Framework	8
Figure 2: Strategic Partnership Layout	10
Figure 3: Public/Private Partnership & Programmes	19
Figure 4: Small Enterprise - Key Elements	22
Figure 5: Types of Small Enterprise Failures	25
Figure 6: Year Small Enterprise was Established	43
Figure 7: Small Enterprise Classification	44
Figure 8: Small Enterprise Company Registrations	44
Figure 9: Small Enterprise VAT Registration	45
Figure 10: Current Projects of Small Enterprises	48
Figure 11: Small Enterprises with Partnerships	48
Figure 12: Specialised Services Small Enterprises	49
Figure 13: Large Businesses Contracting Small Enterprises	50
Figure 14: Large Business Assistance to Small Enterprises	52
Figure 15: Large Business Training to Small Enterprises	52
Figure 16: Client Distribution of Small Enterprises	55
Figure 17: Small Enterprises Sector Allocations	56
Figure 18: Small Enterprise Services Divisions	56
Figure 19: Large Business Partnerships with Small Enterprises	58
Figure 20: Risk/Cost Weight Model	59
Figure 21: Mitigation Planning Order	60
Figure 22: Three-Key Elements Model (Identification, Risk Analysis, and Mitigation) ..	66
Figure 23: Optimising Strategic Partnership Model	87

List Of Tables

Table 1: Structure of this Research Report.....	5
Table 2: National Small Enterprise Descriptions.....	10
Table 3: List of Interviewed Companies & Interviewee Names (Small Enterprises).....	42
Table 4: List of Interviewed Companies & Interviewee Names (Large Businesses).....	45
Table 5: Risk steps Identification (16), Assessment (17), and Categorisation (18).....	89

Glossary of Terms

B-BBEE	:	Broad-Based-Black Economic Empowerment
BDS	:	Business Development Services
BRAIN	:	Business Referral and Information Network
CIDB	:	Construction Industry Development Board
CIPC	:	Companies and Intellectual Property Commission
CSBP	:	Centre for Small Business Promotion
DTI	:	Department of Trade and Industry
EU	:	European Union
FRAIN	:	Franchise Advice and Information Network
GDP	:	Gross Domestic Product
HDI	:	Historically Disadvantage Individual
IDC	:	Independent Development Corporation
IDP	:	Infrastructure Development Plan
IP	:	Intellectual Property
MNC	:	Multi National Corporation
NCDP	:	National Contractor Development Programme
NDP	:	National Development Plan
NHBRC	:	National Home Builders Registration Council
OHS	:	Occupational Health and Safety
P&L	:	Profit and Loss
PPPF	:	Preferential Procurement Policy Framework
PPP	:	Public Private Partnership
SARS	:	South African Revenue Services
SEDA	:	Small Enterprise Development Agency
GSIP	:	Governments Strategic Infrastructure Programmes
SMB	:	Small, Medium Business
SMME	:	Small, Medium, Micro Enterprises
SONA	:	Sate of the Nation Address
UIF	:	Unemployment Insurance Fund
VAT	:	Value Added Tax

Chapter 1: Introduction

1.1 Title

Optimising strategic partnerships to lower failure rates in small enterprises in South Africa – a Construction Industry perspective.

1.2 Introduction Overview

September 14, 2014 the South African Trade and Industry minister Rob Davies, launched a programme to encourage private sector partnerships with government to support incubators that will develop small enterprises (Anonymous, 2014), (Sidwell, 2012). Mofokeng, Thwala (2012) states that government should regulate compulsory use of small enterprises through strategic partnerships. This should be concluded either as direct sub-appointments or joint ventures with large businesses in the construction industry to provide worthwhile work opportunities for long-term growth of small enterprises (Mofokeng & Thwala, 2012).

Small enterprises plays a significant role in the construction industry; due to a lack of strategic partnerships numerous instrumental opportunities may remain concealed and undisclosed for small enterprises to benefit from (Asgari, Afshar, & Madani, 2013). It is important to know that small enterprises is not smaller replicas of larger businesses, and that the environmental risk small enterprises face is different from large entities (Kyvik, Saris, Bonet, & Felício, 2013).

The Construction Industry Development Board (2013) of South Africa states in its study of small enterprises in the South African Construction Industry, that the development of small enterprises forms an integral part of the construction industry in South Africa (Cidb, 2013). It is important to address deficiencies in current regulatory frameworks through governing operations that influences small enterprises, and thus creating a sustainable economic environment for small enterprises to exist (Tshivhase & Worku, 2013). The importance of small enterprises has increased over the last two decades in South Africa as well as the rest of the world. The study indicated that small enterprises as subcontractors are a business strategy that large businesses as main contractors use to cope with uncertainties in the market, and to reduce operating and overhead cost (Cidb, 2013).

There should be a body that governs and regulates the construction industry for people who want to enter as small enterprises by screening them and identifying the possible risks to prevent business failures (Mofokeng & Thwala, 2012). Ludwig, Root (2010) argues that by broadening its base, companies in the South African construction and technology industry could stimulate the larger economy needs. To achieve this expansion, small companies should be integrated into the formal sector through tailor-made development initiatives and strategic partnerships (Martin & Root, 2010).

The construction industry continuously evolves and advances on all new levels of technology, from designs to construction to materials. Strategic partnerships is a key coalition to identify corrective construction processes, relationships and constraints to formulate a framework to limit failures under small enterprises (Harper & Hazleton, 2014). Small enterprises play an important role in job creation in South Africa, large companies lag behind when it comes to job creation. It is however important to know that it takes large companies to prosper for small enterprises to grow (Schussler, 2006).

Therefore, there is compelling motivation for exploring the optimisation of strategic partnerships to lower failure rates under small enterprises and investigating the influence in a positive and negative correlation that construction processes, relationships, and constraints have on small enterprises.

1.3 Motivation for Sector Selection

In today's dynamic market environment it is getting critical to produce small enterprises that are sustainable; the traditional conditions of contracts have to be revised as small enterprises are unable to cope with industry standard arrangements (Pipe, 2011).

South Africa emerged as one of the countries with the most innovative ideas in applying targeted procurement towards small enterprises; this is unfortunately halted by infrastructure project spending (Rogerson, 2000). Government delays in infrastructure projects negatively influences contracting entities and small enterprises (BMI Research, 2014).

This study however seeks to identify small enterprise management and their enablement through the creation of strategic partnership interventions. These interventions are critical in providing essential learning's needed for small enterprises to improve and develop their critical skills to optimise strategic partnerships (Martin &

Root, 2010). South Africa has restricted infrastructure spending specifically in light of the aftermath of the 2010 soccer world cup and the 2008/9 global financial crises, thus forcing large enterprises to source work internationally (DPW, 2015). Small enterprises are directly affected by limited infrastructure spending and global sourcing of new work from large entities, as small enterprises are mainly geared towards the local markets (Kyvik et al., 2013).

1.4 Research Objectives

This research focuses on the public sector, private sector large businesses and the processes and relationships with small enterprises in the construction industry. Further investigation should be conducted that could address the supply chain in the form of all relevant stakeholders such as clients, consultants, main contractors, subcontractors and suppliers with respect to value creation through collaborative in South African (Emuze & Julian Smallwood, 2014).

1.5 Research Motivation

Improving the sustainability of small enterprises in the construction industry through project output processes and relationships is, of interest and concern to practitioners and academics (Beach, Webster, & Campbell, 2005).

1.6 Research Aim

1.6.1 Identify Processes and Relationships between Small Enterprises and various Public and Private Stakeholders

The researcher aims to identify the implementation of construction processes and the effect and evaluation of the utility of strategic partnerships that small enterprises can use in the construction industry to limit failure rates (Errasti, Beach, Oyarbide, & Santos, 2007).

Relationships are built on trust; with small enterprises trust is asymmetric. This leads to power differences; if both small and large enterprises benefit from each other's supply and demand needs the power is in equilibrium. This power is however fragile as it mostly based on asymmetric trust and influence the cooperation between small and large enterprises (Wang, Peverelli, & Bossink, 2015).

The objective of this research is to identify these processes and relationship bonds between small enterprises and various industry stakeholders' public and private. These

processes and relationships in the industry structures are key drivers of small enterprises success or failures (Artto, Eloranta, & Kujala, 2008).

1.6.2 Risk and Management Mitigation of Small Enterprise Business Processes and Relationships with various Public and Private Stakeholders

The processes and relationships small enterprises could encounter could either be with large businesses, small enterprises, and governmental institutions, each of these partnerships would deliver it's own identified risks (Artto et al., 2008).

Bossink, 2012 refers to his model of building relationships between small enterprises and large entities as developing asymmetric trust by focussing on the exploratory stage followed by the commitment stage and finally the long-term commitment stage. Relationships follow a development pattern of cooperation between small enterprises and large entities (Wang et al., 2015).

It is important to identify key risk constraints that influence the sustainability of small enterprises and to developed skills to address these industry risk constraints specifically focussing on a management model for small enterprises (Furlan, Grandinetti, & Camuffo, 2009).

1.6.3 Develop a Model to Process and Relationship Risk that Minimise Failure Rates of Small Enterprises

To create a risk management model all systematic factors should be investigated in order to effect improvement on small enterprises (Sundar, 2013). The researcher will adapt and integrate other models into the final development of the "Optimise Strategic Partnership Model".

Building models is necessary, however the focus should be shifted to the model measuring methods. The reasons for measuring methods are that they are easily applicable and form the basis of a model. It allows a model with different dimensions and variables to be transformed into a single performance approach (Yildiz, Hotamisli, & Eleren, 2011).

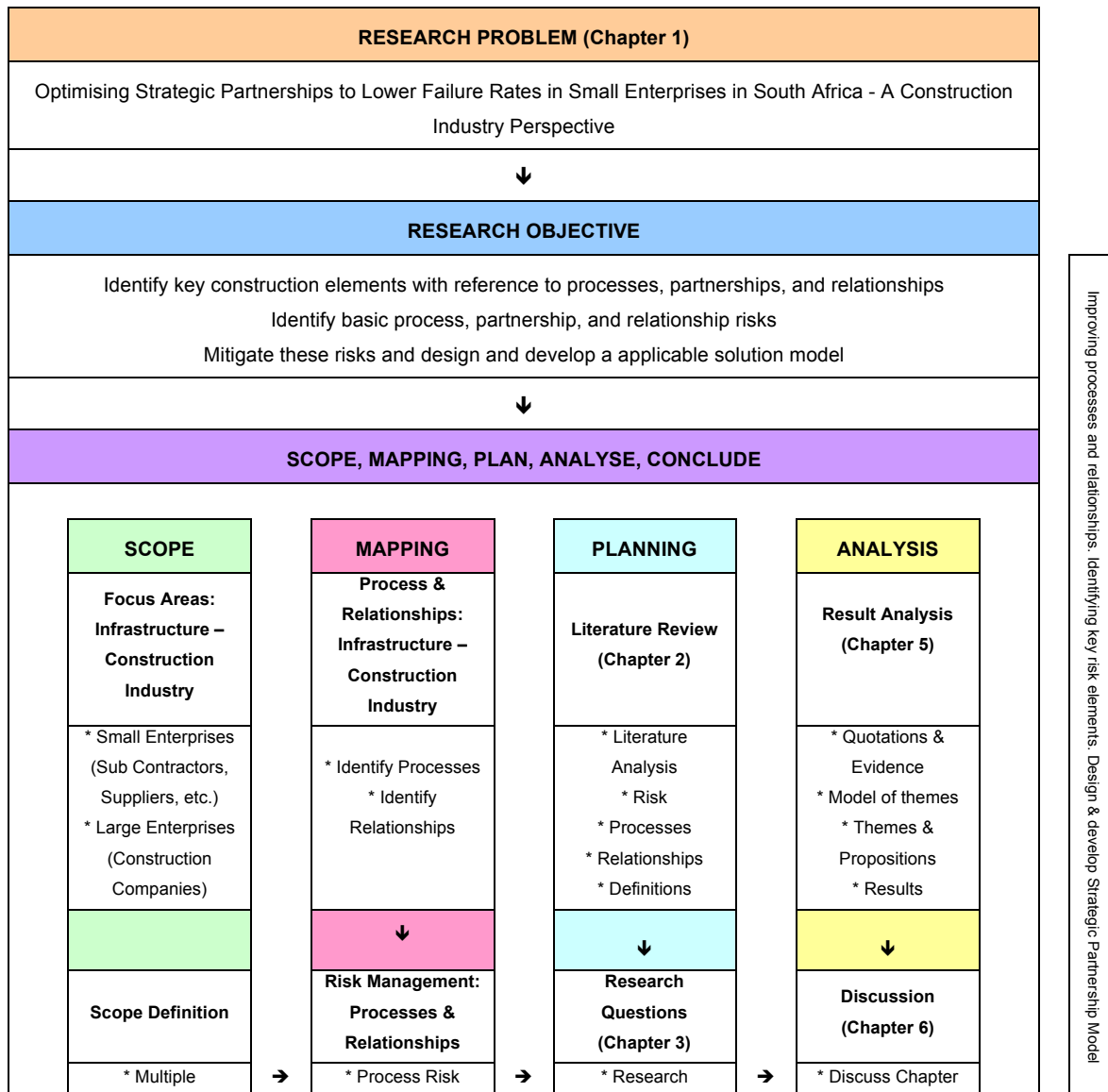
In forming an Optimising Strategic Partnership Model, the risk mitigation method that influences the processes and relationships between small enterprises and various other stakeholders has a pertinent effect on the partnership outcome. The aim of this

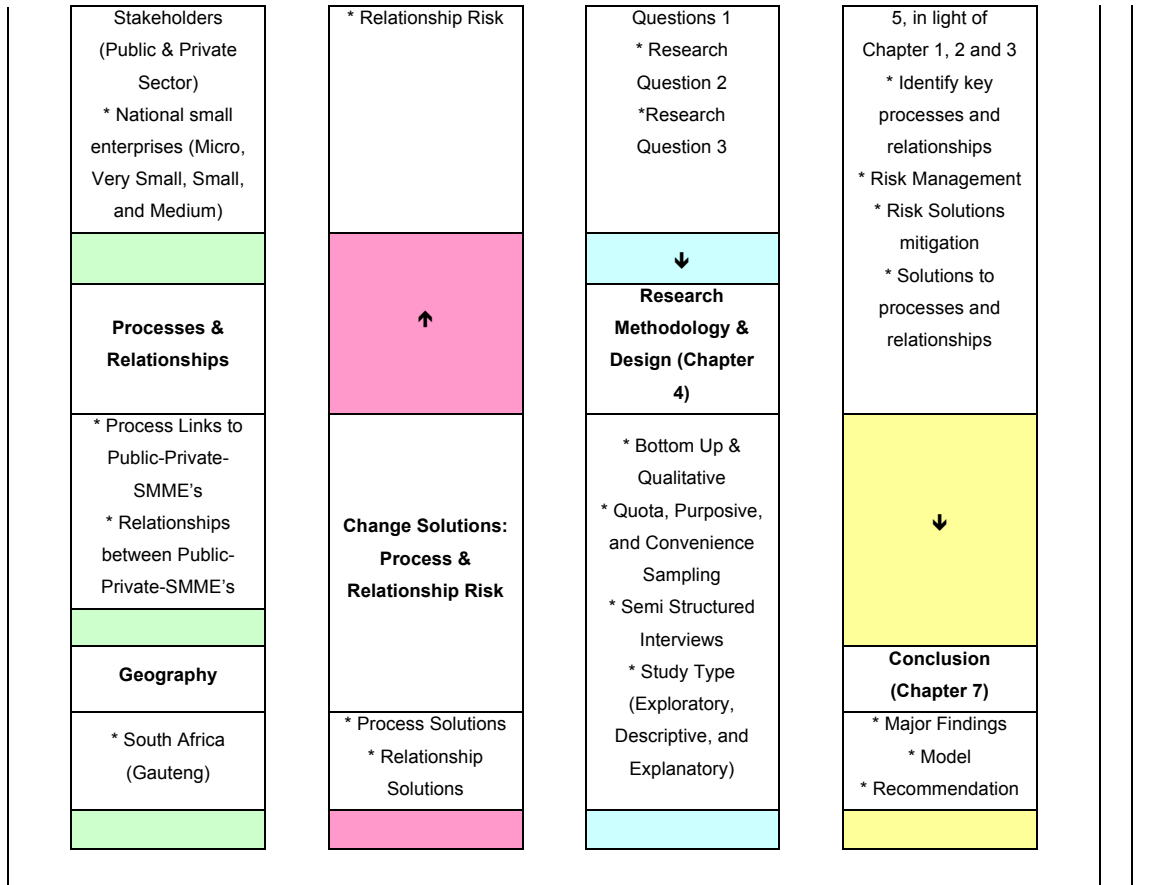
model is to create a method to identify the risks, and mitigate a positive outcome for the small enterprise (Yildiz et al., 2011).

1.7 Structure of this Research Report

The following chapter consists of the basic theory and literature review, which focus on an overview of the construction industry. The researcher investigates the role of small enterprise, private, and public sector in the construction industry. Failure rates of small enterprise are reviewed to formulate certain assumptions that could lead to identifying key influencers. With the identification of key influencers the risks could be mitigated and solutions can be authorised to minimise failure of small enterprises. The literature review ends with a focus on strategic partnerships that should be implemented to lower failure rates in small enterprises.

Table 1: Structure of this Research Report





EXPECTED RESEARCH OUTCOME
<p>Design and develop "Optimised Strategic Partnership Model" for analysing processes and relationship solutions between small enterprises, private and public sector to minimise failure rates under small enterprises</p>

Chapter 2: Theory and Literature Review

The literature review revealed the significance of optimising strategic partnerships between small enterprises and various stakeholders in the construction industry to lower failure rates.

2.1 Overview of the Construction Industry

2.1.1 Introduction

The construction industry plays a key role in the economy of South Africa, and contributes significantly to economic growth (Cidb, 2013). The construction industry can be seen as that critical sector of the economy that produces infrastructure, and determines the extent to which investment efforts in a resource-rich countries will translate into investment outcomes (Windapo & Cattell, 2013).

The construction industry had a tough 2014/15 for most small and large construction companies (StatsSA, 2015). Yearly increases for the industry from 2011 to 2015 were a mere 0.2% growth per annum, which is unsustainable and cannot stimulate the economic demand in the construction industry. The government has welcomed the rollout of its National Development Plan (NDP) and its Infrastructure Development Plan (IDP) to improve and stimulate economic growth in the construction industry. The major challenge is the implementation of the plan and will require significant input from government and private sector (PWC, 2014).

The aim of this research is to identify the most effective use of strategic partnerships between small enterprises and large private sector businesses in the construction industry. Part of this research will be to establish key influencers in strategic partnerships. The South African construction industry is rapidly becoming more complex in terms of growth which is caused by the contribution of the public and private sector (Mofokeng & Thwala, 2012). The current state of improvement through collaborative working in the construction industry is still at best “work in progress” (Emuze & Julian Smallwood, 2014).

The South African government’s focus is still on poverty alleviation, unemployment reduction and inequality reduction; through this focus government made substantial commitments to support small enterprises as a vehicle to achieve sustainable economic growth, creating employment opportunities and alleviating poverty (Masutha & Rogerson, 2014). Infrastructure development is the base of stimulatory fiscal

package of the South African government and the road to new growth (DBSA, 2012).

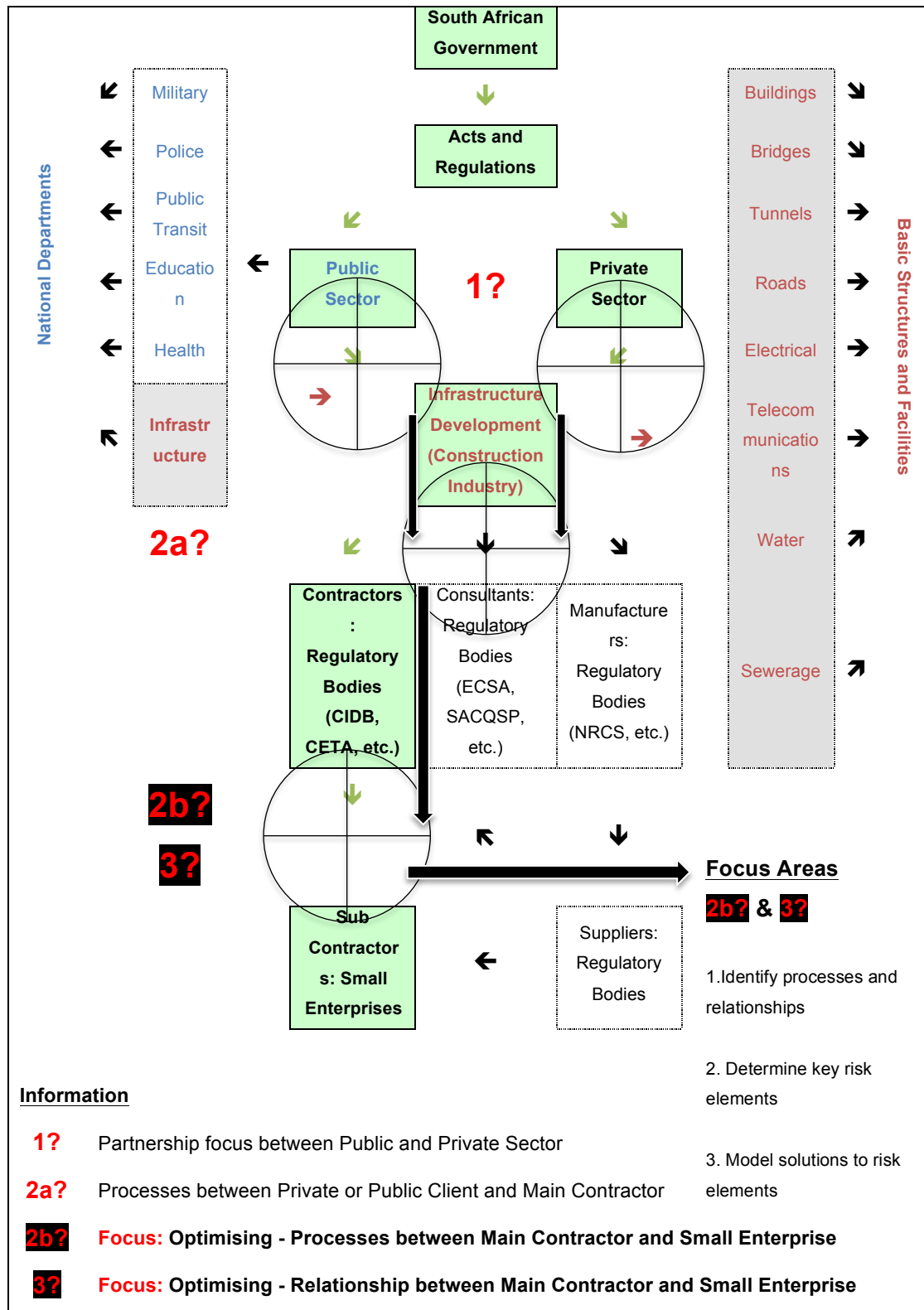


Figure 1: Typical Construction Industry Framework

The South African construction industry plays an important role in the economic growth of the country. The industry has been under extreme growth pressure in recent years (DPW, 2015). The NDP and IDP boosted new hope into the industry with new growth projections. Strategic partnerships identified key influencers such as the NDP and IDP in the industry (DPW, 2015).

2.1.2 Strategic Partnerships

Optimising strategic partnerships in the construction industry is a key issue that needs to be explored to increase sustainability and success under small enterprises in South Africa (Artto et al., 2008). The overall achievement of strategic partnerships should be aimed to stimulate the construction industry and the overall outcome through cooperation, initiating constructive discussions, formulating the most appropriate goals and objectives, and determining efficient and effective tools and techniques for all stakeholders in the industry with a specific focus on small enterprises (Heng & Love, 2000).

Small enterprises have identified shortage of capital as a major problem that impacts their operations (Lewis, 2013). Another issue raised is the insufficient demand in the construction industry (BMI Research, 2014). The South Africa government has attempted to address these issues through inter alia financial assistance organisations. The demand issue is perhaps a more serious problem and needs to be addressed through government's procurement strategies (Luiz, 2002).

Strategic partnerships can improve the performance of companies involved in construction projects (Heng & Love, 2000). It raised the discussion that partnerships should be successful and could be adopted. For example, if there is a need to apply a new construction technology or specific skill provided by a subcontractor's or small enterprise, the typical change process has to be initiated by the client, consultant or main contractor (Heng & Love, 2000).

It is clear that the government policies around supply chain in the construction industry needs to be addressed through strategic partnerships to improve performance in the South African construction industry (Emuze & Julian Smallwood, 2014). It is however not only government that has a specific role to play, the private sector has an even more critical role to play in addressing the small enterprise growth and sustainability to lower failure and to optimise strategic partnerships (Luiz, 2002).

Optimising strategic partnerships should stimulate the construction industries economic growth projects and assist small enterprises to reach sustainability (Calton, Werhane, Hartman, & Bevan, 2013). Various key elements that influence small enterprises could be addressed through strategic partnerships (Pipe, 2011). It is however important to determine the optimal partnership level, which would be strategic, and have value to sustain the small enterprise and simultaneously grow the economy. The cooperation between public and private sector is key to such partnerships (Regan, Smith, & Love, 2010).

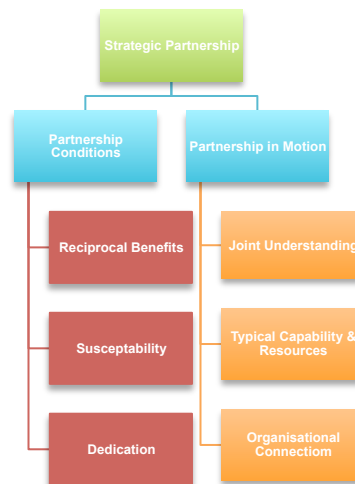


Figure 2: Strategic Partnership Layout

Source: (Calton et al., 2013), (Regan et al., 2010)

2.1.3 Small Enterprises

Small enterprises are businesses that have been identified as productive drivers of inclusive economic growth and development in South Africa and around the world; small enterprises are defined in the following business categories; micro, very small, small, and medium (Gauteng Government, 2014).

Table 2: National Small Enterprise Descriptions

Category of SMME	Fulltime Employees	Turnover
Micro	5	R 0.2m
Very Small	10	R 0.5m
Small	50	R 3m
Medium	100	R 5m

Source: (Gauteng Government, 2014)

The South African economy continues to experience high failure rates under small enterprises, which fail to grow sufficiently and create employment opportunities (Masutha & Rogerson, 2014). It is however estimated that 91% of the formal business sector is represented by small enterprises in South Africa. Small enterprises contributes 52 to 57% of the gross domestic product (GDP) in South Africa and small enterprises contributes 61% to employment (Abor & Quartey, 2010).

This concludes that small enterprises plays an important role in the South African economy, contributes to the GDP, and provides much needed employment (DPW, 2015).

In many cases small enterprises lack managerial skills, which place significant pressure on the company management to sustain the enterprise (Martin & Root, 2010). The tendency is to attract motivated managers/owners, which usually leads to a lack in specific talents or skills, and therefore limit the small enterprise to compete with large businesses (Masutha & Rogerson, 2014). Entrepreneurs, who usually tend to be managers/owners of the small enterprises, cannot afford the high cost of training and advisory services while others do not see the need to upgrade skills due to complacency (Abor & Quartey, 2010).

Small enterprises are more subjected to volatilities due to their geographical spread of construction peak workloads that characterises the construction industry, further it reduces their ability to build capacity (Wellington Didibhuku Thwala & Phaladi, 2009). Small enterprises face challenges through increased competition and a long-term decline in demand. Similarly large businesses respond by moving into the international market space eliminating the small enterprise to participate in the international market (Wellington Didibhuku Thwala & Phaladi, 2009).

2.2 Complex Definitions of Terms

There are a number of contextual terms that are used in this study, which need clarification to understand the full context.

2.2.1 Optimisation

Optimisation is to modify any type of scenario/product to achieve the maximum efficiency.

2.2.2 Strategic Partnerships

Strategic relates to the identification of long-term or overall aims and interests and the means of achieving them. A partnership is the relationship that exists between two or more persons who join to carry on a trade or business. Each person contributes money, property, labour or skill, and expects to share in the profits and losses of the business. To understand company profiles and contributions to a partnership could help to design tailor made interventions for future partnerships (Martin & Root, 2012).

2.2.3 Failure Rate

Failure rate is the frequency with which an engineered system or component fails, expressed in failures per unit of time or number. Small enterprises lack of success can be identified as; inadequate finance, inability to obtain credit, inability to employ competent workers, poor pricing, tender and contract documentation skills, lack of training, lack of resources, lack of technical abilities, financial skills, contractual skills, managerial skills, and late payment bridging finance (Mofokeng & Thwala, 2012).

2.2.4 Small Enterprise

Small and medium-sized enterprises (SMMEs; sometimes also micro, small and medium enterprises) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits (Gauteng Government, 2014). In the construction industry small enterprises are referred to as main contractors, subcontractors, which could be specialists, generalists, trade and labour-only subcontractors (Cidb, 2013).

2.2.5 Private Sector

The private sector is the part of a countries economic system that is run by individuals and companies, rather than government. Most private sector organisations are run with the intention of making a profit (Burger & Hawkesworth, 2013).

2.2.6 Public Sector

The public sector can be defined as a service-orientated government institution represented by the Public Works Department and all sub level departments and regulatory institutions focusing on the formulation of legislative prescripts and policy to support the delivery of sound immovable asset management while contributing to the national agenda for social and economic development (DPW, 2015).

2.2.7 Relationships

Relationships in the construction industry have been described as “the most significant development to date as means of improving project performance”. The aim of long-term commitment by two parties for the purpose of achieving a specific business objective by escalating the efficiency of each party (Bygballe, Jahre, & Swärd, 2010).

2.2.8 Construction Processes

Processes are continues actions of change forming in an environment in a specific manner. South Africa manages a “paper and stamp” business environment and therefor all institutional processes is timeous. Processes in construction could be referred to as in a state of inertia happening at a constant velocity, no matter what the various influences are with limited innovation (Turskis, Gajzler, & Dziadosz, 2012).

2.2.9 Risk

Risk is the possibility that something can go wrong in a situation. Risk is defined as the possibility, or change, of harmful consequences (Slabbert, 2010). Risk is evaluated and estimated to determine the probability influence it may render on a situation (Louw & Van Wyk, 2011).

2.3 The Role of Small Enterprises in the Construction Industry

2.3.1 Introduction

In the South African construction industry small enterprises are generally referred to as either small contractors, subcontractors, and emerging contractors. Generally these companies are considered to be micro, very small, small and medium enterprises; SMME (W D Thwala, 2014). In South Africa, many small enterprises in the construction industry are owned and managed by Historically Disadvantaged Individuals (HDI).

HDI refers to a group of the population, which under the apartheid regime was repressed – including non-whites, female, and disabled persons (Martin, 2012). In developed and developing countries small enterprise incubators have been identified as strategic tools for helping to grow a country’s entrepreneurial base while reducing the high mortality of SMMEs (Masutha & Rogerson, 2014). Emerging contractors are typically understood to be owner-centred. For the purpose of this study, small enterprises are small in terms of turnover and number of employees. These companies mainly focus on small contractor projects and subcontracting work in the construction industry.

It is these organisations that struggle to grow into sustainable businesses, and require knowledge to succeed (Martin, 2012). Small enterprise subcontractors or emerging contractors can be classified into one of the following categories: main contractor; specialist (electrical, plumbing, and ventilating and air-conditioning (HVAC)); generalist and specialist (painting, brickwork, and ceilings); and or labour-only (Cidb, 2013)

The policy environment of small enterprises in South Africa will determine the potential growth of these small enterprises (Windapo & Cattell, 2013). Small enterprises experience various distortions and government may have to rectify these distortions to level out the playing field (Luiz, 2002)

2.3.2 The Small Enterprise

In the past small enterprises were seen as panacea for the unskilled. Small enterprises provided income opportunities for the informal sector. Small enterprises were seen as a marginal sector and integrating it into the formal sector was seen as unimportant (Tshivhase & Worku, 2012). However these perspectives changed over the last couple of years and the importance of small enterprise grew to be resourceful to expand and integrate into the formal sector (Luiz, 2002).

To examine how small enterprises see their role in the construction industry we focus on these companies' attributes. These companies are mostly owner-based businesses; the owner controls the business on all levels from the financials, general management, administration, operations, business development, commercial and human resources. Most small enterprises are manager /owner based and lack specific skills (Martin, 2012).

Luiz (2002) describes small enterprises' contribution to the economy as having the capability to absorb labour. Government assisting small enterprises displays sensitivity to poverty. Small enterprises are usually locally owned and contribute to social and cultural systems (Mofokeng & Thwala, 2012). HDIs' have been prevented from entering the apartheid economy and small enterprises is likely to be the form to enter. Small enterprises are more likely to serve the needs of poor people (W D Thwala, 2014). Small enterprises tend to serve the local market and therefore can produce less of a product. Small enterprises are geographically scattered throughout the country. Small enterprises are more likely to use local technology and raw products than their larger counterparts. (Luiz, 2002).

Luiz (2002) further states that small enterprises employees and employers are happier in their work. Small enterprises are the nursery schools of entrepreneurship and innovation (Martin & Root, 2012). Small enterprises provide majority employment to South Africa. Small enterprises use fewer managers and capital than large firms in both the cases it is scarce resource. For the economy small enterprises are more resilient to financial crises and offers a steadier employment base (Martin, 2012). Small enterprises usually employ more employees per unit of capital but uses less capital per unit of output (Luiz, 2002).

Small enterprises are key to grow the economy and to stimulate unemployment. The major advantage of sustainable small enterprises is their robustness and the ability to survive external influences (Lewis, 2013).

2.3.3 The Influence Private Sector has on Small Enterprises

Large companies are able to act as stimulus for small enterprises by providing a steady source of demand. Training and skills development will ensure quality required by large business, but will also be beneficial to the small enterprise development (Luiz, 2002). Due to a lack of infrastructure spending large firms, historically would cut staff and adapt by venturing into areas traditionally placed outside the construction industry to diversify their order books; this negatively influence small enterprises which generally do not house the same adaptable resources (Claasen, 2015).

The major large construction businesses in South Africa provide opportunities to various small enterprises. These large enterprises have damaged their reputation and relationship with government through collusion charges after the 2010 soccer world cup (Ndlovu-Gatsheni, 2011). This deteriorating relationship, slow economic growth and limited government spending has forced various large businesses to seek global opportunities elsewhere which left a number of small enterprises with limited local opportunities (DuVenage, 2014).

Small enterprise limitations exist in the corporate sector such as outsourcing and notwithstanding knowledge of international experience (Claasen, 2015). Most of the relationship links that do exist is cosmetic and only politically correct. Another factor affecting small enterprise relationships is their dependence on large business and the monopolistic influence large businesses have on them. This is exaggerated through large companies outsourcing work to small enterprises (Luiz, 2002).

The research indicates that in the South African construction industry the small enterprise are extremely dependent on large businesses. Decisions of large entities directly affect small enterprises' existence and sustainability. Government and private sectors cooperation is necessary to outline support to small enterprises development and growth.

2.3.4 Legislation through Public Sector

The most widely used framework in South Africa is the National Small Enterprise Act 102 of 1996, which define five categories, and encompasses the number of employees per enterprise' size of category combined with the annual turnover and gross assets excluding fixed property (South-Africa, 1996).

Government, has to restructure policies to stimulate small enterprise growth, due to the abundant "red tape" measures that small enterprise should adhere to (Beach et al., 2005). Government should become a partner to small enterprises. Small enterprises view large business as main partner and not government (Lewis, 2013).

Government promote the development of small enterprises through the use of business incubators to limit the failure of small enterprises (DPW, 2009). The countries Small Enterprise Development Agency (SEDA) have largely driven small enterprise development through incubators. The private sector also got involved in the development of incubators, this has been welcomed by various government institutions and industry stakeholders (Masutha & Rogerson, 2014).

Government should make use of existing successful private sector Business Development Services (BDS) agencies to form partnerships with and share development costs to minimize risk (Lewis, 2013).

Small enterprises in the construction industry face unique challenges in accordance with their counterparts in different industries, small enterprises have a low level of bargaining power due to project based work. This implies discontinuity and mode of work completed, payments influences their cash flow and limit successful project execution (W D Thwala, 2014).

Government has done a great deal to stimulate the small enterprise sector through legislation. It is important that government adopts an industry specific intervention to further assist small enterprises in unique industry constraints.

2.4 The Role of Private Sector in the Construction Industry

2.4.1 Introduction

Main role players in the private sector are the main contractors (large businesses), consultants, and suppliers. In this research study we focus predominantly on the large business and their specific attributes as main contractor (Martin, 2012).

In South Africa all companies are rated through a legislative programme called Broad-Based-Black Economic Empowerment (B-BBEE) against seven elements of which particular interest here are the elements of procurement practices and enterprise development (South-Africa, 2003). High ratings should be achieved in either of the elements with their respective sub-categories if procurement practices show that goods and services used are sourced from HDI owned companies, and that companies assist smaller emerging companies in growing capabilities and capacity (Martin, 2012).

Consequently, large businesses are rewarded for procuring services from emerging small enterprises, or assisting in their training and development (Martin, 2012). It is critical that large businesses should adopt these collaborative procurement methods to improve performance and promote strategic partnerships through innovation (Martin, 2012).

It is important that large businesses integrate these various supply chains, and need to be profitable while managing these various small enterprises. While these small enterprises strategize their own survival in an environment where adversarial relationships and opportunism are the norm (Emuze & Julian Smallwood, 2014).

2.4.2 The Role Private Sector play

Key influencers that the private sector has identified, that needs to be addressed is where private sector public sector and the general labour force should work together to target specific issues such as skills development, infrastructure investment, lowering the regulatory burden on SMMEs and improving partnerships (Calton et al., 2013). These parties should address the improvement of skills in small enterprises and that of state owned entities (Cairns, 2014).

The role of the private sector in the construction industry is to lead high tech large risk projects (such as our current power stations). Small enterprises do not have the capacity, skills and or balance sheet to take on large projects. Private sector plays a

pivotal role in partnership creation through joint ventures, consortiums or as subcontractors with various small enterprises (Mahlutshana, 2013).

The construction industry needs the private sector to flourish and keep on investing in the local economy. Private sector partnerships with public sector (through private public partnerships (PPP), which is a agreement between two parties to provide a public sector activity or service) is long term based (Nel, 2015). Although this research does not focus on PPP projects it is important to understand the role of PPP projects in the feeder enablement.

Major constraints the private sector currently experience is linked to poor government expenditure bill, (this is due to various reasons from major skill shortages in the public sector, corruption in public sector, and collusion charges in the private sector) (Landelahni Business Leaders Amprop SA, 2012).

2.4.3 Public Sector Partnership Programmes with Private Sector and Small Enterprises

Government has implemented programmes to educate and assist small enterprises to grow their businesses through various governmental and public corporations. (See Appendix 1)

These institutional programmes encourage interventions that should affect the success of small enterprises (Harmond & Manchidi, 2002). The major construction regulator, the Construction Industry Development Board (CIDB), developed the National Contractor Development Programme (NCDP) to monitor progress of HDI's and small enterprises. This programme stimulates the role of industry for empowerment and performance (CIDB & DPW, 2011).

What is important about the NCDP is that government initiate partnerships between the CIDB, national and provincial public works and all other willing stakeholders such as private sector that are willing to commit resources to develop small enterprise contractors. This aligns small enterprise contractor development programmes with the NCDP principles to achieve specific service delivery objectives (CIDB & DPW, 2011). The outcome objectives of the NCDP is to manage processes to improve small enterprise contractors grading status, performance, quality, and equity ownership (CIDB & DPW, 2011).

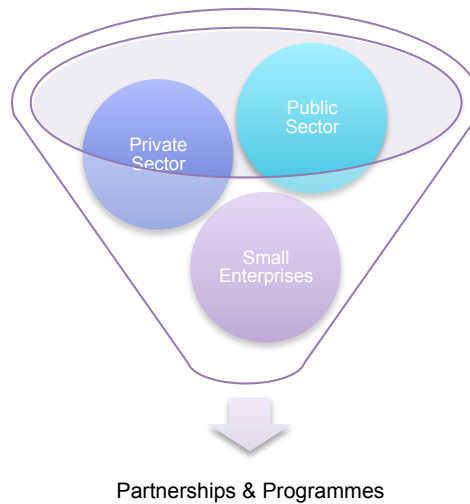


Figure 3: Public/Private Partnership & Programmes

Source: (Regan et al., 2010)

2.4.4 How Small Enterprises interact with Private Sector

Small enterprises mostly feature as subcontractors to large businesses. The industry however requires a wider base of small enterprises that deliver good quality products to the construction industry; this could relieve the on-going pressure on the country's much needed remaining infrastructure development challenges (Martin & Root, 2012)

Large construction businesses often have to contract and deal with what is referred to as the "second economy" where small enterprises are predominately populated by the historically marginalised enterprises, which are informal, and fails regulatory requirements such as tax registration, and formal company registrations. This however constrains the large businesses effectiveness of interacting on a professional level with these small enterprises (Martin & Root, 2012).

Government introduced various programmes listed under Appendix 1 that allows small enterprises to enter the formal sector (Gauteng Government, 2014). Over the last decade the formal construction industry has undergone various structural changes. The major environmental change have been the upsurge in contracting activities financed by both public and private sector (Emuze & Julian Smallwood, 2014).

The urgency for interaction through strategic partnerships between the various stakeholders in the construction industry is increasing and an on-going task for achievement not only by government but also the private sector. The major focus to

streamline processes and create true relationships is key to the small enterprise survival (DuVenage, 2014).

2.5 The Role of the Public Sector in the Construction Industry

2.5.1 Introduction

The public sector should lead the improvement of relationships between all stakeholders in the construction industry through collaboration which enables project participants to build capacity and complete a set of tasks that formulates a umbrella and creates a sole organisation to achieve targets (Emuze & Julian Smallwood, 2014). It is important that the public sector, participants, and stakeholders understand the importance of their role in delivering strategic partnerships to small enterprises.

Public sector has delivered various preferential procurement systems to accommodate small enterprise through procurement in certain categories of preference to award contracts (Martin & Root, 2012). The system of preference is regulated through the Preferential Procurement Policy Framework (PPPF) Act of 2000. This Act sets the rules public procurement processes has to follow, over and above price considerations, and 'specific goals' that have to be achieved when awarding contracts; Such specific goals include contracting with HDIs (South-Africa, 2000).

The South African Government further implemented the Broad- Based Black Economic Empowerment (B-BBEE) Act of 2003. The major focus of the act is to empower through viable economic circumstances all black people through diverse but integrated socio-economic strategies (South-Africa, 2003). Together with this Act, various affiliated documents were promulgated; documents such as codes of conduct published by the Department of Trade and Industry, as well as various industry charters. These various Acts enables the public sector to implement rules for procurement (Martin, 2012).

2.5.2 Public Sector role as Infrastructure Driver

Government should influence and govern incentive schemes through the main contractor (Cidb, 2013). Programmes has been recommended, such as strategic project initiatives through the Department of Public Works, long term mentoring programmes coupled with short term financial assistance through the CIDB. Public sector training lacks focus, the mind-set should be long-term investment. Business and entrepreneurship programmes should be implemented together with proper evaluation processes (Harmond & Manchidi, 2002).

The construction industry is classified as one of the secondary sectors of the economy (DPW, 2015). The public sector classifies the industry in two formal sectors namely building construction (accounting for 46%) and the civil sector (accounting for 54%). Over the last five years the construction sector at 1.7% per annum underperformed against real growth at 2.5% (DPW, 2009). The industry growth from 2009-2014 were 14.6%, this was prior to the 2010 Soccer World Cup onset. The industry growth from 2010-2014 was -0.3% whilst the next five years could average a speculated growth rate of 4.6% (DPW, 2015).

The NDP and NIP and the Governments Strategic Infrastructure Programmes (SIP) have a vital role to play in the construction industries economic growth of the country (DPW, 2015). The construction industry requires continuous development and service role outs on a regular basis to ensure continuous growth in the economy. The NIP and infrastructure investment was reiterated in the 2015 State of the Nation Address (SONA) by President Jacob Zuma as one of the nine priorities for growth and development in the country (DPW, 2015).

Windapo (2013) identified that government passed more than 1000 pieces of legislation, which initiated countless regulations in the industry, viewing the idea of over-regulation. This has regrettably affected tenders, procurement, employment, labour practises, B-BBEE, planning, controls, permissions, skills development and zoning procedures, the whole project role out has been slowed down and lead to unnecessary time constraints and cost (Windapo & Cattell, 2013).

The role of government is vital in the success of the construction industry; the role out of infrastructure projects as well as the legislation and regulations around the execution is key to the success of the industry and the economy. The key elements summarised in Figure 4 here after.

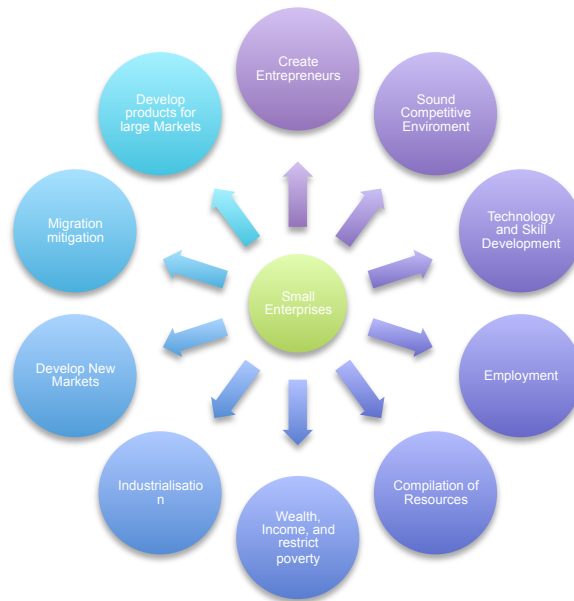


Figure 4: Small Enterprise - Key Elements

Source: (Cummings & Worley, 2005)

2.5.3 How Small Enterprise conform to the Framework

A successful strategic partnership between small enterprises and main contractors has high potential to transfer skills. Skills transfer within this strategic partnership framework depends on the small enterprise willingness and aptitude to learn (Cidb, 2013).

The CIDB (2013) reports that the existing preferential procurement environment is challenges as it encourages HDI's to establish their own firms rather than to join established companies. Due to this the depth and breath of expertise that could be consolidated through small enterprises access and experience on specialised and diverse projects are lost in the system (Windapo & Cattell, 2013).

The small enterprise to tender on projects in South Africa should be registered with the CIDB, which assist with transformation in South Africa and fosters small enterprises in particular. The CIDB register categorises construction companies into different work categories such as building, civil, electrical, mechanical and so on, it also grades them into nine levels of capabilities in terms of projects size according to the South African Rand (Martin & Root, 2012).

It is however important to acknowledge that the aim of government through the CIDB was to unlock growth constraints and stimulate the role of industry and stakeholders for

skills development, meaningful empowerment and improved small enterprise performance (Mofokeng & Thwala, 2012).

2.5.4 Private Sector role player or not

Government has a composition of policies and positions of which some carry advantages for the private sector, and others for the trade unions; Government focus should be to align all stakeholder processes and relationships to create a defined path (Cairns, 2014). Strategic partnerships leads to the willingness of the large business to participate in skills transfer schemes (Cidb, 2013).

The DPW (2015) states that the spending focus over the medium term will be to promote growth and transformation in the property and construction sectors. The expenditures on transfers and subsidies are projected for 2015/2016 and 2017/2018 financial years to increase at an speculated average rate of 69% in line with operationalization spending.

Government is planning more large-scale investments in the energy, mining and infrastructure sectors. The aim however is still to bring a sustainable flow of new projects to large businesses which are willing to establish themselves in these tough market conditions (DuVenage, 2014).

It is clear that Government lost trust with large private sector construction companies due to the collusion debacle of the 2010 Soccer World Cup. The partnership between public and private sector needs time to re-establish trust at a lost to small enterprises.

2.6 Failure of Small Enterprises

2.6.1 Introduction

According to statistics South Africa, liquidations and insolvencies has decreased from 2014 to 2015. In the same time frame, there are still major concerns around the total liquidations and insolvencies in the South African construction industry (BMI Research, 2014). Nevertheless liquidations and insolvencies has been steadily decreasing over the past seven years (StatsSA, 2015). To identify failure contributors one needs to recognize industry problems which could be categorised in terms of the relationships of the various stakeholders, the nature of construction processes and the ability to drive the construction process (Emuze & Julian Smallwood, 2014).

It is believed that the procurement of projects by small enterprise contractors in South Africa is based on project availability and security guarantees rather than assistance to build and improve their capacity (BMI Research, 2014). This leads to “gate-keeping”; a South African method of procuring rather than facilitating or improving the capacities of the small enterprises (Tucker, Windapo, & Cattell, 2015).

It is evident that the poor performance of small enterprises in the construction industry is high due to demand volatility, high levels of non completion, poor management and low productivity (Windapo & Cattell, 2013).

2.6.2 Challenges

The critical challenges that small enterprises in the construction industry face through construction processes are a lack of managerial expertise, planning capacity, access to opportunities, prolonged economic recession, lack of financial skills, competition, skilled employees, business skills, technical skills and pricing skills (W D Thwala, 2014). The critical challenges faced by small enterprises in the construction industry overlaps with critical challenges faced by small enterprises in general; the focus of this study is however based on the construction industry (W D Thwala, 2014).

It is clear that contracting between parties are important but the key influencer that impacts their effectiveness depends on their goodwill and desire to collaborate through strategic partnerships (Cidb, 2013). The contract procurement documentation system used by the local construction authorities on all levels of government is complex and complicated particularly for small enterprises owned by targeted groups (HDI's) who are not highly knowledgeable about contractual matters (Harmond & Manchidi, 2002).

Further restrictions small enterprises face through construction processes are the general scope of operations that creates a specific negative business acumen of under delivery (Errasti et al., 2007). First, small enterprises concentrate on the micro rather than macro view of their business, a definite procrastination to adopt best practices in the construction process (Emuze & Julian Smallwood, 2014). Second, small enterprises tend to focus on short-term profits, rather than investment on longer-term integrative and strategic approaches to operations (Emuze & Julian Smallwood, 2014).

These critical challenges faced by small enterprises leads to relationship problems between the various parties and forces a lack of trust, onerous contract conditions,

loading of risk, unfair selection procedures, unfair payment procedures and failure to accept small enterprises as equal project partners (Emuze & Julian Smallwood, 2014).

Furthermore, these relationship problems leads to inefficient and ineffective problem-solving mechanisms as well as adversarial relationships, contributes to poor performance in the industry (Windapo & Cattell, 2013). This constitutes “tense” relationships within a project environment between small enterprises and main contractors. If conflict is not properly managed, it can easily lead to relationship breakdown that portends negative consequences for not only the project but also the life expectancy of the small enterprise (Emuze & Julian Smallwood, 2014).

The mismatch between available skills and required skills is a key challenge in the industry, training programmes provided by government to uplift and empower were in many cases not appropriate to the needs of the construction industry, resulting in a skills gap and a decline in the capacity of the professional sector of industry participants (Windapo & Cattell, 2013).

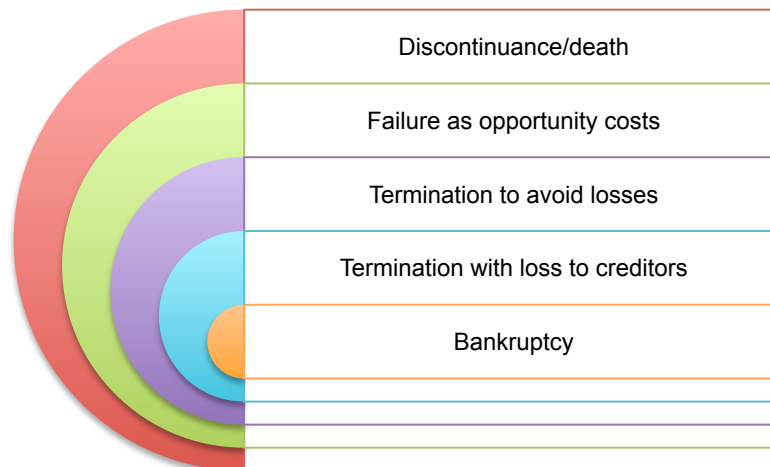


Figure 5: Types of Small Enterprise Failures

Source: (Cadden, David T. and Lueder, 2012)

2.6.3 Constraints of Failure

Four basic growth constraints in small enterprise were identified: lack of access to markets, credit, skills gap, and inadequate supportive institutional arrangements (Harmond & Manchidi, 2002). It is important to acknowledge that some failures of small enterprises appears not to be the informal economy, where relevant experience could

have been gained; rather, they are new entities formed by individuals previously unaffiliated to construction (Martin & Root, 2012).

The above restriction to construction processes, relationship problems and growth constraints directly impacts on the sustainability of these small enterprises, as adequate knowledge is required to survive in a competitive construction industry (Martin, 2012). It is however unfortunate that the high number of failures among these companies overshadows the expansion efforts in place (Martin & Root, 2012).

Key influencers identified by small enterprises that influence their performance encompasses is lack of security of payment, bid price pressure from main contractors, weak management practices, poor attitude within small enterprises, trade organizations, and industry factors (such as lack of working capital, skills and competition shortages) (Cidb, 2013). The CIDB (2013) identified constraints that limit successful growth and development of small enterprises in their reluctance to share information, especially financial information.

Construction capacity could be identified as the sole constraint of all influential factors. Capacity is the company knowledge that could be used in implementation processes.

- Human capital and resource teams with the correct skills and managerial abilities (Tucker et al., 2015).
- Technology and innovation capabilities to apply and gain a competitive advantages (Tucker et al., 2015).
- Financial capital and capabilities to sustain and grow firms (Tucker et al., 2015).
- The underlying advantage of knowledge and experience base to enhance possibilities (Tucker et al., 2015).

2.7 Key Influencers, Processes, Relationships and Elements

Key influencers or game changers are specific focus points taken from small enterprise failure that could be incorporated into strategic partnerships to lower failure rates of small enterprises. Understanding and applying key influencers entail the understanding of the construction industry, in which project organisation is predominantly temporary, the products are one-of-a-kind and the production is on-site and full of high levels of complexity (Emuze & Julian Smallwood, 2014).

South Africa should generate sustained, excessive levels of economic growth to actually target unemployment and poverty. Unless South Africa can rectify the

problems of a infirm infrastructure, deteriorated education system, and a prodigal government the South African economy will stagnate (Cairns, 2014).

The challenging question is however how do small enterprise survive in competitive markets? Small enterprises has to learn from established companies and the exploitation of the social capital to gain knowledge may assist small enterprises in their quest to become sustainable enterprises (Martin, 2012). Rivalries are more pronounced in the construction industry due to exceptionally high number of small enterprises and limited projects for every small enterprise contractor to benefit (Tshivhase & Worku, 2012).

Small enterprises in the construction industry has indicated dissatisfaction with main contractors specifically due to late payments, under-payment, and where main contractors pressurise small entities to lower their tendered prices and profit margins (Cidb, 2013). Payment practices was identified as the main conflict source between small enterprises and main contractors in the construction industry the term “pay-when-paid” was singled out as the leading constraint of well oiled strategic partnerships (Cidb, 2013).

Small enterprises in the construction industry tend to compete in the small main contractor barrier rather than seeking opportunity to specialise in specific subcontractor trades. A general trend of decline in the average number of projects advertised led to established contractors competing with small enterprises. This had major disadvantages for small enterprises due to intensified competition for small-scale projects (Tshivhase & Worku, 2012). The key influencers identified are construction processes, relationships, and growth constraints. Each influencer would be a critical focus point when investigating strategic partnerships. These key influencers could be explained further through project-based interactions among contractors and small enterprises.

In the construction industry typical forms of interactions are joint ventures, being a subcontractor, and using a subcontractor (Martin, 2012). Small enterprise characteristics should be identified (such as sustainability and competitiveness in the marketplace) (Martin & Root, 2010). Some small enterprises specifically in the emerging markets are beginning to move towards formality, yet are still partly based in the informal sector in terms of their type of customer and their informal labour relations (Martin & Root, 2012).

Small enterprises often lack physical, financial and knowledge-based resources, which indicates that external factors for failure exist. On the other side internal factors for failure exist too which relates to the contracting entity itself and include poor management and the lack of technical skills (Martin, 2012). It would be beneficial to explore small enterprises availability to social capital as this could determine the potential for organisational learning through access to knowledge and information (Martin & Root, 2010). In terms of construction industry alliances, partnering agreements, or joint ventures can open access to social capital (Martin, 2012).

Any meaningful intervention to build the delivery capacity of small enterprises in the construction industry has to address “knowledge” first (Martin & Root, 2010). However, with many of the construction processes, relationships, and growth constraints being tacit rather than explicit knowledge, the efforts are likely to be difficult to transfer the entire bouquet of knowledge (Martin & Root, 2010).

2.8 Strategic Partnerships

The aim is to transfer critical skills for knowledge between small enterprises and large construction entities. One way to achieve this is through leaner principles. The construction industry can improve its construction processes, relationships, and constraints efficiencies through a more integrated approach by the adoption of leaner principles. These leaner principles entail fundamental changes in relationships, and management of the relationships between clients, contractors and small enterprises providing subcontractor services (Emuze & Julian Smallwood, 2014).

Imperfect strategic partnerships appear to be most prevalent in the small enterprise market segment where profit margins is already extremely low and result in small enterprises bearing the brunt for tough working conditions (Cidb, 2013)

The calibration between the various role players can have numerous advantages such as improved relationships, effective information exchange, less conflicts and risks, higher productivity, cost savings, improved quality, faster processes and better customer responsiveness (Emuze & Julian Smallwood, 2014). Small enterprises should focus on long-term relations with established companies. Long-term relations will lead to mutual understanding and trust, allowing the small enterprise access to tacit knowledge (Martin, 2012).

The upsurge of contracting activities financed by both public and private sector influences the construction environment dramatically and boost small enterprises (Martin & Root, 2010). This dual finance structure reduces main contractor size and increase subcontractors and fragmentation, which significantly impact on the growth and sustainability of small enterprises; This phenomenon impacts on the main contractors capacity (Emuze & Julian Smallwood, 2014)

The strategy identified by small enterprises to resolve these constraints and to adopt a key success factor of quality improvements, access to new opportunities within the industry, and strategic partnerships with good relations with large businesses (Cidb, 2013). The CIDB (2013) states that successful development will only proceed if both the small enterprises and the large business invest in long-term strategic partnerships.

Collaborative working or strategic partnerships refers to the ability of all stakeholders to work in teams and specific individuals to agree upon mutual objectives, decision-making processes and problem resolution systems while focusing on specific improvements to their normal performance in project undertakings (Emuze & Julian Smallwood, 2014). Furthermore the ability to manage relationships may lead to “collaborative advantages”, which emphasises the creation of “new value together” rather than the “neutral” exchange of resources between small enterprises and large businesses (Emuze & Julian Smallwood, 2014).

Small enterprises network within a network joining forces with various different companies, interacting with established companies; could prove to be fruit- full ground for growth of the knowledge and experience. The social capital of small enterprises will be key determinants for possible learning environments (Martin, 2012). This context of learning for the small enterprise is crucial in order to foster a high quality learning experience (Martin & Root, 2010).

Factors responsible for successful construction collaboration include the importance of the relationships between small enterprises and large businesses. The collaboration of even distributed benefits will automatically lead to top management commitment and trust, shared risk and response to client needs, good communication, sufficient resources, improved efficiency and understanding the role of each member of the project team (Emuze & Julian Smallwood, 2014).

To achieve this collaboration expansion, small enterprises should be integrated into the formal sector (Martin & Root, 2012). Small enterprise incubators provides various targeted business support and technical support services aimed at growing small enterprises into financially and operationally independent enterprises (Masutha & Rogerson, 2014).

2.9 Conclusion

It is key to understand the construction industry and the complicated structure that forms part of this amalgamated network. The importance of all stakeholders to address specific strategic partnership programmes is key for the survival of small enterprises. Small enterprises should be classified into one of the various categories: main small contractor; specialist; generalist; and labour-only to understand their specific position in the industry (Cidb, 2013).

Large businesses in the private sector are rewarded through the B-BBEE development framework if interaction between large business and emerging small enterprises are established, by means of service requirements, assistance through development, and skills training are evident (Martin, 2012). It is important that private sector benefit from assisting small enterprise through public sector initiatives. Public sector has delivered various preferential procurement systems to accommodate small enterprise through procurement in which certain categories of preference for the award of contracts (Martin & Root, 2012).

Small enterprise face specific negative business acumen (Abor & Quartey, 2010); Small enterprises tend to concentrate on micro rather than macro view of their business, a definite procrastination to adopt best practices in the construction process (Cidb, 2013). Secondly, small enterprises focus on short-term profits, rather than investment on longer-term integrative and strategic approach to operations (Emuze & Julian Smallwood, 2014).

It is important to strive for meaningful interventions to build capacity and address “knowledge” (Martin & Root, 2010). However, with many of the construction processes, relationships, and growth constraints being tacit rather than explicit knowledge the efforts are likely to be difficult to transfer the entire bouquet of knowledge (Martin & Root, 2010).

Lastly collaboration expansion, small enterprises should be integrated into the formal sector (Martin & Root, 2012). Small enterprise provide targeted business support and technical support services that aim at growing small enterprises into financially and operationally independent enterprises (Masutha & Rogerson, 2014).

Chapter 3: Research Questions

3.1 Introduction

The aim of this research is to answer a problem statement set out in the research topic along with the related research questions. Saunders and Lewis (2012) states that research strategy should be based on research objectives, the resources available, the main question, the existing knowledge, and the time frame. The challenge is not only to state that the questions are true, but also to challenge the assumptions underlying existing theories. Researchers should be careful not to fill gaps in the research space (Alvesson & Sandberg, 2011). The purpose of any theory section is to ground the questions in relation to the research, developing a clear, logical argument explaining the core variables and processes that relates to the proposal and create a sense of coherence (Grant & Pollock, 2011).

3.2 Problem Statement

There is a specific need to create valuable relationships and streamline processes for small enterprises in the construction industry to limit their failure and to create a stable business environment. Private and public sector should jointly work together to improve and simplify processes that small enterprises could adhere too and align their businesses. If construction processes could work effective the small enterprise should apply its resources to their businesses.

3.3 Objective of Research

- Identify processes and relationships that could limit small enterprise failures and prolong sustainability.
- Design and develop risk mitigation process around these processes and relationships that small enterprise could apply.
- Identify solutions through the development of a model that indicates the relationship and process position of the small enterprise, risk identification and mitigation, and finally solutions to enable sustainability.

3.4 Research Questions

3.4.1 Research Question One

Identify key construction processes and relationships that affect failure of small enterprises?

Windapo (2013) identified that government passed more than 1000 pieces of legislation, which initiated countless regulations in the industry, viewing the idea of over-regulation. This have affected construction processes through tenders, procurement, employment, labour practises, B-BBEE, planning, controls, permissions, skills development and zoning procedures, the whole project role out has been slowed down and lead to unnecessary time constraints and cost. The question was aimed to establish specific processes that influence small enterprises.

There is a definite perceived underperformance of infrastructure projects due to a lack of focus on dyadic relationships between clients, main contractors, and suppliers and while neglecting the importance of sub-contractors (small enterprises). Tools and techniques to design relationship models are emphasised at the expense of social and evolutionary aspects (Bygballe et al., 2010).

3.4.2 Research Question Two

Analyse the identified construction process and relationship risk?

The literature revealed factors responsible for successful construction collaboration that includes the importance of the relationships between small enterprises and large business. The collaboration of even distributed benefits will automatically lead to top management commitment and trust, shared risk and response to client needs, good communication, sufficient resources, improved efficiency and understanding the role of each member of the project team (Emuze & Julian Smallwood, 2014).

It is key to create a risk mitigation model that relates to small enterprise in the construction industry. Major risk influencers under small enterprises are the "risk of bankruptcy" and how the small enterprise "aversion or disposition" of risk. To identify the major risks and align them with processes and relationships could limit the failure of small enterprises (Turskis et al., 2012).

3.4.3 Research Question Three

How small enterprise should mitigate risks identified through the design and development of the "Optimising Strategic Partnership Model"?

The literature revealed the upsurge of contracting activities financed by both public and private sector that influences the construction environment dramatically and boost small enterprises. This newly dual finance structure reduces large business size and increase the small enterprise and fragmentation, which significantly impact on the growth and sustainability of small enterprises. This phenomenon impacts on the large business capacity (Emuze & Julian Smallwood, 2014).

It is however important that the small enterprise could identify his/her own risk mitigation model that could assist the small enterprise in process regulation and relationship building. There are various trends, which influence risk analyses. These trends need to be incorporated into the risk mitigation model to address and resolve all possible influential trends on the sustainability of small enterprises (Turskis et al., 2012).

Chapter 4: Proposed Research Methodology

4.1 Introduction

The main objective of this section of the research is to present an overview that summarises the key methods of the findings of the surveys relative to the research questions discussed in Chapter 3. Definitions of research questions is key as they give direction to the research methods applied (Reiter, Stewart, & Bruce, 2011).

4.1.1 Research Approach

The researchers theory development was based on the bottom up approach through induction. A theory will be developed through data analysis that the researcher will obtain through literature reviews. The induction approach will be relevant for the researchers study due to the flexibility of the system that permit changes of research emphasis as the research progresses through the data collection phase (Saunders & Lewis, 2012).

Once the interviews were done, they were coded to identify processes and relationships. Through the inductive reasoning the interviews and the literature were observed and measured to detect specific patterns and regularities to formulate a framework that can explore the issues around processes and relationships. The aim is to end up with a model that could be utilised by small enterprise (Bryson, Crosby, & Stone, 2015).

The objective is focussed on specific processes and relationships which led to the priority focus of selecting quality interviews, having only a few but therefore more powerful interviewees rather than quantity (Reiter et al., 2011).

4.1.2 Method Type

The proposed research method that will be followed will be qualitative (non-numerical) data. Which will consist of text materials. Raw data that have not been processed, such as actual responses to one on one face to face semi structured interviews, as well as compiled data where the data presented have either been selected or summarised from the raw data explored (Saunders & Lewis, 2012).

Qualitative research delivers value in guiding new developments in products, services and models, specifically in understanding the client or owners motivation (Bailey, 2014). It is important not to get lost in the dangers of depths in qualitative research of

understanding the physiological interpretations of what really drives or influences people at a subconscious level (Patterson & Malpass, 2015).

Contrary to popular perception, qualitative research is hard and creative work and is much more taxing to plan than certain quantitative methodologies. As a qualitative researcher it is important to focus on how to generate data from the chosen data sources that is valuable in data and contributes to the research (Reiter et al., 2011).

4.1.3 Study Type

The various types of studies: exploratory, descriptive and explanatory (Saunders & Lewis, 2012). Describe the studies as follows: Exploratory study: new insights, new questions, and assess topics in a new light. Descriptive study: Produce accurate representation of persons, events or situations. Explanatory: Studying a situation to explain the relationship between variables (Saunders & Lewis, 2012).

Exploratory Study: In this case, the search to optimising solutions to lower failure rates through strategic partnerships is a relatively new concept with little existing theory. It therefore makes sense to make use of an exploratory study. This study would assist the researcher to understand a topic clearer. It is however clear that there are various literature on small enterprises which the researcher attained to broaden his research perspective. The method of conducting exploratory research suites the research method, which will include;

- Searching academic literature
- Interviewing 'experts' in the subject
- Conducting semi-interviews

Exploratory study is research that aims to seek new insights, ask new questions and to asses topics in a new light (Saunders & Lewis, 2012). The aim of explanatory research is to build interesting research models that are important and could influence readers to adapt to interesting new models (Das & Long, 2010). The research questions needs to be aligned with the research methods. A exploratory approach is therefore appropriate (Reiter et al., 2011).

4.1.4 Research Strategy

Data collection through the grounded theory approach has been taken as it is usually linked to qualitative data. It proceeds from the bottom up approach, in an inductive

manner, developing conceptual categories that are indications of specific observations (Locke, 2015).

Semi-structured interviews would be appropriate where some questions are complicated and the outcome is uncertain. Key topics still need to be explored further (Saunders & Lewis, 2012). It is for this reasons that this research will be an induction research approach through qualitative data with an explanatory type method through semi-structured interviews.

The interviews would be conducted on a face-to-face basis, which I consider to be appropriate for small enterprise owners, which could be uneducated individuals, and given the exploratory nature of the research. These interviews would also minimise non-response and question bias. An appropriate test session would be conducted to pre-screen the questions for any possible problems.

The aim of the interview process was to understand the views of the interviewees and assess how they fit with the literature. The researcher set up interviews with various small enterprise owners and large entity executives, the questionnaire was structured but left the interviewee open for personal expressions and to simply answer their personal experiences related to the set questions.

The data that was collected by face-to-face interviews that lasted anywhere from 45 minutes to 1 hour. Interviews were conducted in private areas, venues, boardrooms, and offices. Due to a majority resistance of various interviewees no Dictaphone was used. All interviews were face to face no telephonic or Skype calls were conducted. Majority of interviewees chose to stay anonymous which is acceptable for qualitative research (Locke, 2015).

4.1.5 Population

The population consist of the complete group members (Saunders & Lewis, 2012). In this research case the population covered the whole construction industry in South Africa. All various stakeholders of the industry were included in the population. This included all small, medium, micro enterprises (SMME's), large construction enterprise, multi national construction enterprises, various professionals such as (Engineers, Project Managers, Architects, Quantity Surveyors, etc.), manufacturers, suppliers, and government.

4.1.6 Unit of Analysis

The sample unit would be a small enterprise in the construction industry that is subject to the possible failure circumstances identified through the literature review. Large businesses will also form a sample unit in the construction industry to determine basic small enterprise shortfalls and to explore the possibility for strategic partnership to be formed, with a specific focus on the processes and relationships between large business and small enterprises.

4.1.7 Sample Method and Size

A target sample of twenty small enterprises and five main large contracting enterprises were targeted and all interviews were successfully conducted. The data collected from the interviews were complimented by executive interviews from large enterprises; their insights and views on the research questions were of valued interest to the researcher.

The sample methods that was used were firstly quota sampling that refers to a type of non-probability sampling that ensures the sample selected represents certain characteristics in the population that the researcher has chosen (Saunders & Lewis, 2012). The reason for quota sampling is that the researchers geographical location and the sample would be predominantly from the upper central part of the country.

The second sample method used was purposive sampling which also relates to a type of non-probability sampling where the researchers judgement was used to select the sample basis on a range of possible reasons and premises (Saunders & Lewis, 2012). The researcher knowledge of the construction industry led to the use of purposive sampling.

Thirdly the researcher used convenience sampling which is also a type of non-probability sampling in which the sample the researchers used was those who are easy to obtain (Saunders & Lewis, 2012).

4.1.8 Data Gathering Process

Semi-structured interviews are a specific method of data gathering in which the interviewer set themes through predetermined questions, but varies in order of questions asked. The interviewer led the questionnaire through semi structured interviews (Saunders & Lewis, 2012). These types of interviews were conducted on a face-to-face basis.

It is however suggested to have multiple data sources such as documentation, archival records, observations, and physical artefacts such as interviews. Interviews are commonly seen as synonym with qualitative research (Reiter et al., 2011). Reiter (2011) states that one of the most important modes of data generation is the availability and access of appropriate data.

4.1.9 Analysis Approach

The core analysis approach is to focus on the main three steps as set out in (Saunders & Lewis, 2012) on how to analyse qualitative data. First the researcher developed categories such as processes and relationships that need to be analysed. Secondly the researcher decided on a unit to attach these categories too. Thirdly the literature was coded as part of these units based on the categories. All literature was read multiple times to identify frequently raised issues and key themes based on the research objective.

4.1.10 Limitations

The researcher did however identify certain limitations;

- Through the induction research approach with its flexibility options lead to various open ended internal debates with no specific structured format that could contribute theoretically to the research. The researcher had to control and manage the focus of the research objective to obtain relative valuable usable data.
- Qualitative, exploratory research is preliminary, to explore new ideas, it needs to be followed up with more detailed research to provide more dependable results (Saunders & Lewis, 2012). To overcome the latter the researcher broadens his research literature perspective as much as possible.
- Exploratory research is very subjective and reflects the perspectives of the researcher, in other words there may be researcher bias (Saunders & Lewis, 2012). The researcher implemented a personal review on his own perspective of the research environment to limit his influence and thoughts on the research results.
- The researcher new that the use of non-probability sampling will mean that a sample will not represent the population statistically and so the results cannot be valid to the general population as a whole (Saunders & Lewis, 2012). This limitation is however ordinary and experienced by various researchers.

- Quota sampling forced the researcher to search for specific characteristics in the population and this could therefore lead to skew data received, the researcher however had the objective that the data received is true and correct.
- Purposive sampling leads the researcher to select possible reasons and premises as criteria, which could lead to skew data information. The researcher however had the objective that the data received is true and correct.
- Convenience sampling allowed the researcher to choose samples that were easy to obtain. Again this could lead to skew data. Again the researcher however had the objective that the data received is true and correct.
- The limited number of small enterprises studied through this research manages and limit the risk of external factors but could mean the sample size is to small and needs a larger future research approach.

Chapter 5: Results and Findings

5.1 Introduction

This chapter describes the interviewee's experiences, knowledge and challenges they encountered as small enterprises in the South African construction industry. The researcher investigated processes and relationships, between large business and small enterprises in South Africa.

The researchers theme "Optimising Strategic Partnerships to Lower Failure Rates in Small Enterprises in South Africa – a Construction Industry Perspective" followed a specific flow and three basic questions have been developed through the literature phase (refer to Chapter 3).

The questions are:

- Identify key construction processes and relationships that affect failure of small enterprises?
- Analyse the identified construction process and relationship risk?
- How small enterprise should mitigate risks identified through the design and development of the "Optimising Strategic Partnership Model"?

Before answering these questions the researcher will briefly discuss the interview procedure. Both small enterprise and large business interview lists were generated. Companies interviewed would be referred to as companies A to Z with fictitious owner and or executive names.

The firsts question is to identifying key construction processes and relationships that affect failure of small enterprises. This question will be addressed through the focus of data gathering through specific key categories. Each basic question would entitle a theme with two basic phases, where one is focussed on the small enterprise and the second phase focussed on the large business. In the first question context the supporting arguments focus is contextualising the findings of the categories into two spectrums namely process and relationship. This was an emergent find in the study.

The next question of analysing and identifying construction process and relationship risk in the construction industry is key in the researchers evaluation flow. The risk identification category links the small enterprise and the large business with each other and indicates the complexities of the process and the nonexistence of real

relationships. This section will be explored through the two-phase system as explained previously, focussing on small enterprises and large businesses.

Thirdly the focus will be on question three which refers to the "how" small enterprise should mitigate the risk findings in question two. The key mitigation will form part of the design and development of the "Optimising Strategic Partnership Model" which intent to assist small enterprises in optimising partnerships with large businesses. This section will focus on two-phases namely small enterprises and large businesses.

5.2 The Interviews

The researchers framework consists of the identification, understanding and mitigation of the processes and relationships that influence failure under small enterprises.

Twenty interviews were conducted with companies that are recognised as very small, small, micro, medium enterprises SMME's. The companies interviewed vary from sectors but fall under the broader scope of the construction industry. These companies operate in the following sectors building, mining, construction supplies and technology. The companies are all operational. The interviewees are all owner/managers of the small enterprises.

The second set of interviews conducted was the five large businesses. These companies all operate in various sectors of the economy with a large focus on the construction industry. These companies vary in size, two operates on a national level and three on a global level. The interviewees are all senior executives that influence the course and direction of these companies.

The majority of interviewees requested anonymity. A conscious professional decision was made to enforce the anonymity throughout the research project.

5.2.1 Small Enterprise Interview Information

Table 3: List of Interviewed Companies & Interviewee Names (Small Enterprises)

	Company Detail	Position	Industry Sector	Allocated Name
1	Company A	Owner – Managing Director	Building	Amanda
2	Company B	Owner – Managing Director	Building	Curtis
3	Company C	Owner	Building	Joseph
4	Company D	Owner – Managing Director	Building	Richard

5	Company E	Owner	Building	Simon
6	Company F	Owner – Managing Director	Building	Steve
7	Company G	Owner	Building	Mark
8	Company H	Owner – Managing Director	Building	Grant
9	Company I	Owner – Managing Director	Mining	Lewis
10	Company J	Owner – Managing Director	Building	Matthew
11	Company K	Owner – Managing Director	Building	Anne
12	Company L	Owner – Managing Director	Mining	Andrew
13	Company M	Owner – Managing Director	Building	Watson
14	Company N	Owner – Managing Director	Building	Rodney
15	Company O	Owner	Building	James
16	Company P	Owner – Managing Director	Building	John
17	Company Q	Owner – Managing Director	Supplier	Rose
18	Company R	Owner	Building	Robert
19	Company S	Owner – Managing Director	Building	Michael
20	Company T	Owner – Managing Director	Mining	Tammy

Sixteen of the small enterprise owners had experience in the building sector, three in the mining and one in material supply chain. All the enterprises interviewed do however fall within the scope of the construction industry. Sixteen small enterprise owners were male and four female. Six interviewees were introduced to construction through their families as either tradesman or taking over family businesses. Six interviewees started their careers in the construction industry. Two of the last six worked from the age of thirteen, two others from the age of fifteen. Five interviewees started of as new business ventures. One interviewee comes from an adult education background and was introduced to the industry through one of his students. Three interviewees following their academic education path and started businesses in the industry (plumbing, electrical, and diploma in building).

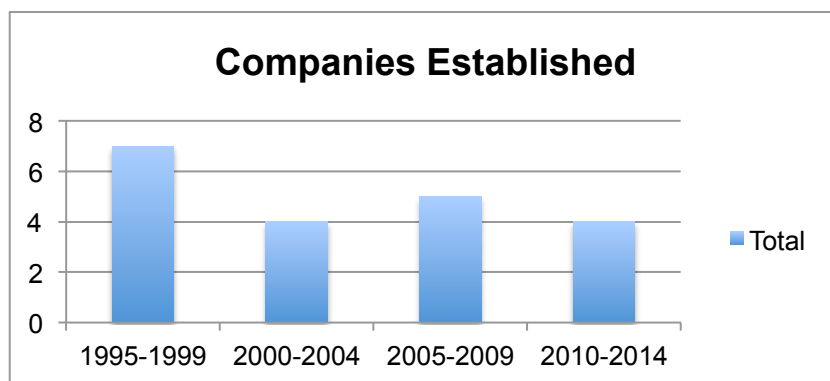


Figure 6: Year Small Enterprise was Established

The small enterprises interviewed were all established after 1994 see Figure 6. This indicates a no failure statistic over a long sustainable period, this is however misleading due to the inconsistent operating manner of “...work when there is work, don’t work when there is no work, I do not employ permanent staff” (Curtis), which indicates that some of the enterprises are not operating sustainably.

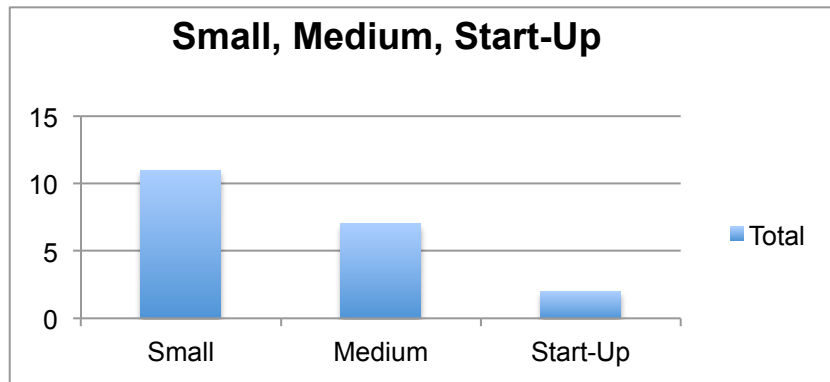


Figure 7: Small Enterprise Classification

The small enterprise interviewed was requested to classify themselves into SMME categories (very small, small, micro, medium). The two start-up companies were classified as start-ups (small enterprises).

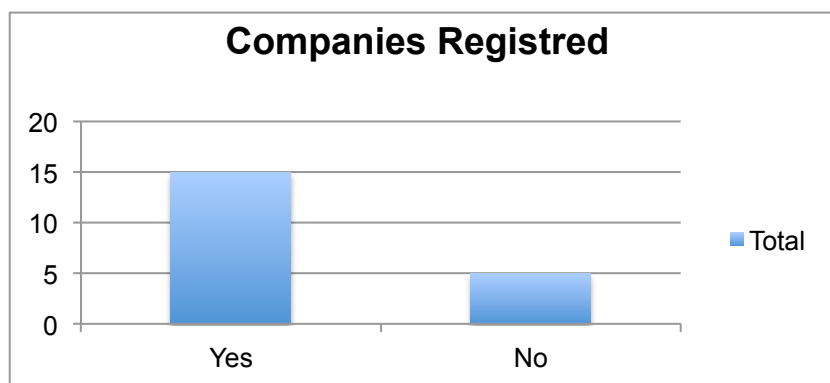


Figure 8: Small Enterprise Company Registrations

In Figure 8 the graph displays a yes/no balance of the small enterprises that officially registered their companies with the Companies and Intellectual Property Commission (CIPC) of South Africa.

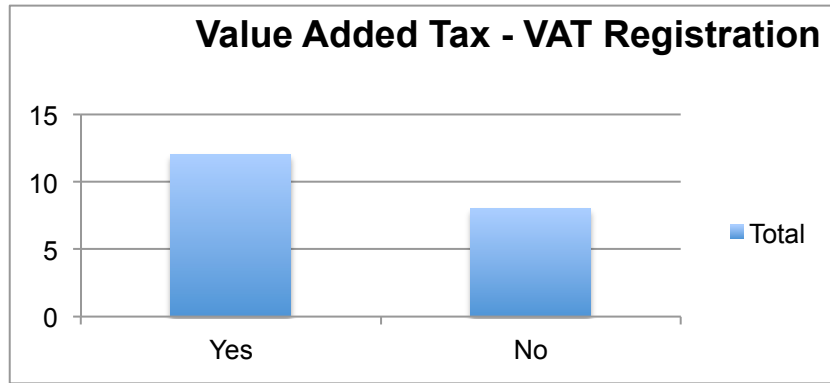


Figure 9: Small Enterprise VAT Registration

Figure 9 indicates the yes/no balance of small enterprises that generates a turnover of more than R 1,000,000.00 (One million rand) that has to register for Value Added Tax (VAT). In comparison to Figure 8, fifteen small enterprises were company registered and only twelve of the fifteen registered for VAT. This is also misleading as some of the small enterprises only generate turnover when engaging in projects.

5.2.2 Large Business Interviews

Table 4: List of Interviewed Companies & Interviewee Names (Large Businesses)

	Company Detail	Position	Industry Sector	Allocated Name
1	Company AA	CEO	Building	Peter
2	Company BB	Executive - Head of Water	Building	Harry
3	Company CC	General Manager	Building	Paul
4	Company DD	Executive Head Planning	Building	Victoria
5	Company EE	CFO	Mining	William

Four of the large business operated in the building environment, the other operates in mining, and all five operates partially within the construction industry. The interviewed companies confirmed using small enterprises as subcontractors. Insights and information from these interviewees will steer the opposite research process view.

5.3 Key Processes and Relationships

The purpose is to identify key construction processes and relationships that affect failure of small enterprises. Interviews were categorised into sub sections that connect the semi-structured questionnaires to either categories or identified processes and relationships between the various stakeholders.

5.3.1 Process Identification in Small Enterprises

Processes are classified as actions that take place in a continuous manner. In the construction industry small enterprise adhere to various processes to do business. Processes are governed through management, regulations and laws. Commercial processes in the construction industry do not vary substantially between large businesses and small enterprises, and also not between public and private sector. Changing public or private legislative processes is a tedious task for any form of business and could take years to implement change.

“Can’t the process change, we as small contractors do not have constant work, and work is on and off. There were times that our company had no work for over a year. Still we had to contribute our part and submit all necessary Tax and VAT requirements. Government must implement a relaxation exemption for small enterprises.” (Amanda)

The aim of this research is to focus and skills processes that the small enterprise can control and manage. To build a small enterprise solutions framework the researcher has to focus on the needs and assistance of small enterprises. All businesses address the need to make their businesses healthy. Assistance on the other hand comes from sharing expertise, know how, and work between businesses. Understanding the needs and assistance for small enterprises would be insightful to researcher to build the solutions framework.

“Small enterprises need some form of credit to assist us through down times and to start up projects.”(Amanda)

This indicates the financial strain that small enterprises face and the reality of unsustainable business practises. This also constitutes to the lack of infrastructure development in South Africa.

“Small enterprises that does perform needs a more stable and controlled environment and continuous work flow. A possible rating system on product, time, quality, and cost could be beneficial for the small enterprises that do perform. Eliminate lowest price tender formats.” (Anne)

How would enterprises that perform obtain greater benefits? Achievements are not recognised and no form of evaluation system exists. Such a system could negatively influence the entry level of small enterprises.

"We are a private start-up company in South Africa. South Africa needs a platform to manage, guide and assist private start-up companies. Tax & VAT relieve for the first two years or at least some deductions must be implimented. South Africa needs a Silicone Valley for investment." (Andrew)

The need and assistance for start-up platforms in South Africa could benefit the small enterprise sustainability.

"We only tender and work for Government. The requirements for a small enterprise say a CIDB 5 is the same as for a CIDB 9. Specific requirements include tax clearance, B-BBEE, projects previous and current, financial statements, CIDB registration, cv of all personal, bank letter, proof of OHS, letter of good standing, proof of guarantee, insurances, bank letter." (Mark)

The majority of small enterprises in South Africa's construction industry are registered with the Construction Industry Development Board (CIDB). Government's approach is in line with the CIDB processes but does not differentiate between small enterprises and large business. The pressure on a small enterprise to succeed is real, most small enterprises are owner managed with limited managerial skills. The South African construction industry is based on a paper and stamp system, which is timeous and complicated.

"Large enterprises should see small enterprises as partners. Registering on large companies databases is as difficult and time consuming, and is as time consuming as government. Both systems are complicated and if you don't comply you drop off. Large businesses and government should lead the way on targeting small enterprise needs." (Rodney)

What assistance does private sector and government provide to facilitate small enterprises in complying for data registration and tendering procedures? Figure 6 indicates that four companies were established after 2010. It is however important to view the current projects these small enterprises are currently engaged in.

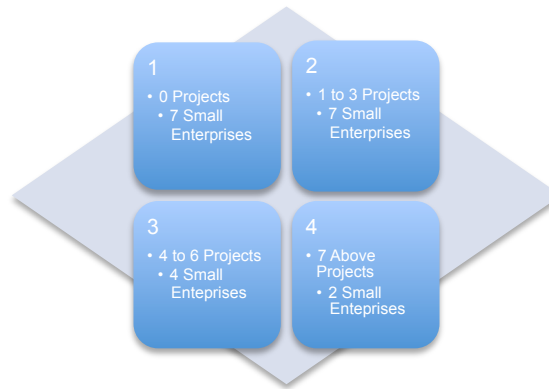


Figure 10: Current Projects of Small Enterprises

To interpret the findings in Figure 10, it is important to take note that the majority of companies with no projects or limited projects are enterprises that act as main contractors on government projects and falls under quadrant 1 and 2. The subcontracting small enterprises however tends to fall within quadrants 2, 3, and 4. This leaves the question of; does subcontractors have a better change of success than main contractors?

5.3.2 Small Enterprise Relationships

Business relationships are built on trust between small enterprises and large business. In South Africa small enterprises will always be in demand if the services rendered falls within the scope of needs of the large business. If small enterprises delivers high quality service, quality, cost and time management, the large entity knows what the small enterprise will deliver on. That makes the relationship worthwhile to support. The following graph reflects the small enterprises, which has partnerships build through relationships.

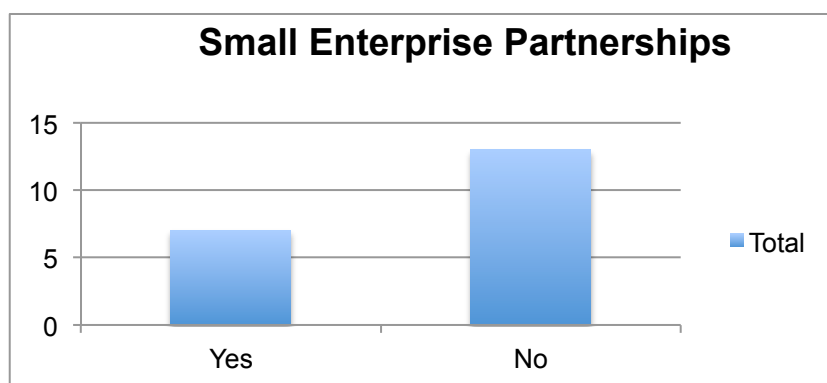


Figure 11: Small Enterprises with Partnerships

Figure 11 provides a reflection of current partnerships. Only one small enterprise main contractor features under the seven "yesses", the rest is all subcontractors, supplier and one start-up enterprise. The other key point is that four of the seven "yesses" deliver services to both private and public sector, where three of the seven only delivers services to the private sector. The majority of "no's" deliver services to the public sector. Does specialised services play an important role?

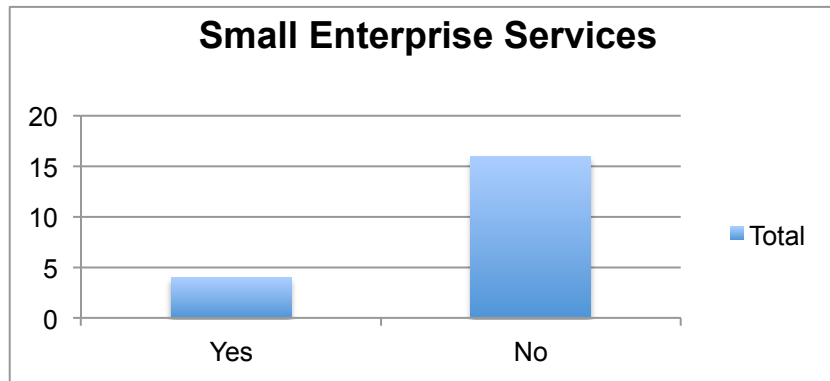


Figure 12: Specialised Services Small Enterprises

Only four small enterprises viewed their services as specialised see Figure 12. There is however a correlation between Figures 11 and 12 as three of the four "yesses" all deliver specialised services under the subcontractor's framework.

Assistance to small enterprise relationships is a key factor that could add to their success.

"I have received advance payments to keep my cash flow running, I have received advance payments to keep my plant (vehicles, etc.), running. Through my relationship key partnerships has been formed which assisted me with continuous workflow." (Simon)

"We receive contract and site assistance from most of our clients, we had cases where our clients bought material if we were cash strapped." (Anne)

Relationships are key in any partnership; however are Simon and Anne exceptions to the norm, or does this indicate the validity of real relationships that evolved into real partnerships. The value of a relationship relies on the level of influence the partner has on the decision-making level in his/her organisation.

“My relationships are with the owners of the construction companies. I deliver services to the company not to the foreman or site agents.” (Simon)

“My relationships are build on friendships over the years, all my contacts with the companies that we work for is on the executive management team level. It is the top level that makes the decisions not the site personnel.” (Anne)

“As a technology provider we work hard on building relationships that could develop into partnerships long before a project is on the table. We only deal with the decision makers, executives or senior management.” (Andrew)

It is clear that the level of the partner representative of a large business play an important role; it would however be worthwhile to measure small enterprises with no real relationships with small enterprises that do have relationships.

“I make contact with my clients site staff, they are my point of contact.” (Joseph)

“We only work for government, I hope we will get contracts soon. I don't work in the private sector otherwise I must work as a subcontractor.” (Grant)

Both Simon and Grant have no current projects; it does however put emphasis on the relationship level and the option to deliver subcontracting services.

5.3.3 Large Businesses Process and Relationships Views

Does large business make use of subcontractors/small enterprises?

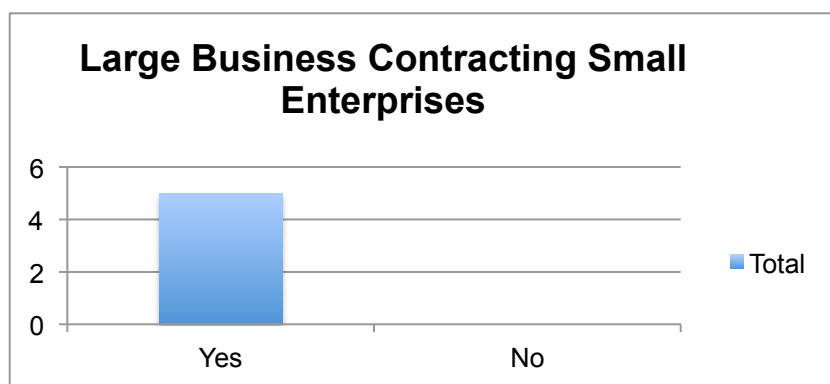


Figure 13: Large Businesses Contracting Small Enterprises

Large business builds their businesses on engagement and management of small enterprise subcontractors. The criteria of evaluation small enterprises must adhere to, to comply is a key differentiator.

“All companies have standard procedures to register on their databases or vendor lists. The evaluation process includes proof of previous work, work references, possible site inspections of previous work, and competency tests if applicable. All relevant paperwork, bank details, bank letter, financials, human resources, company details, B-BBEE, letter of good standing etc.” (Peter, Harry, Paul, Victoria, William)

“Specific trades would require some qualified requirements.” (Peter)

“B-BBEE is important and our policies caters for the use of B-BBEE subcontractors. In a number of cases specialised work should be executed and requires qualification and experience rather than B-BBEE.” (William)

Influences and constraints that limit small enterprises to register on large companies databases could limit work opportunities.

“We have a specific project execution and roll out management system and certain small enterprises struggle to comply with the requirements such as Occupational Health And Safety (OHS), Management Reports, Financial Reports, Programming, Profit & Loss (P&L), etc. Some contractors do not struggle at all so in our view and perspective if one can do it the others should follow!” (Victoria)

The same pressures identified through Government are evident in the private sector. Is this approach one sided or does large business feel that they do contribute assistance to small enterprises (see Figure 14). The question however is if large businesses see themselves as trainee providers see Figure 15.

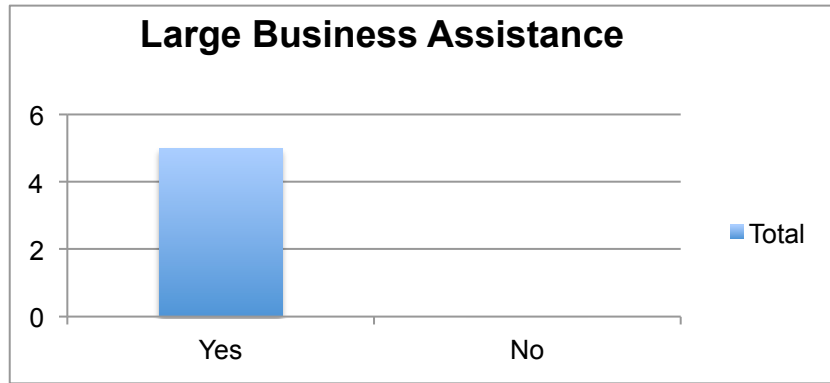


Figure 14: Large Business Assistance to Small Enterprises

Figure 14 states that large businesses believe that their current assistance systems are adequate, small enterprises however have a different view.

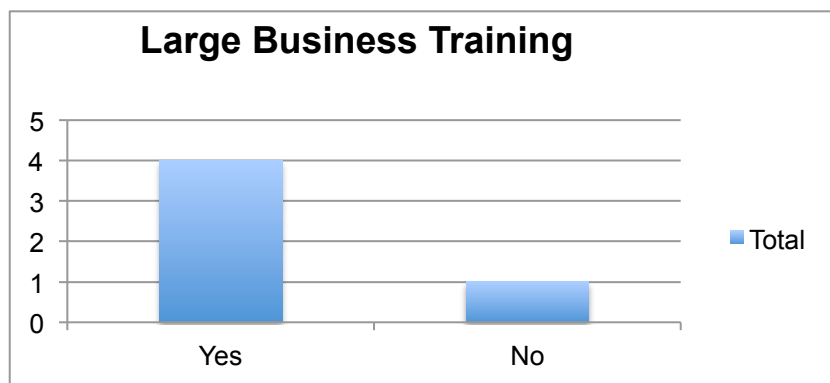


Figure 15: Large Business Training to Small Enterprises

It is clear that assistance and training are provided (claimed) by the large businesses. The question however is if the assistance and training provided by large entities is aligned with the small enterprises needs for assistance and training.

Technical training is straightforward and normally conducted on site. Business and financial training are done off site and are more costly and requires more resources through qualified trainers. The perspective of the large businesses is tested when asked if any other form of assistance is applicable.

“We do provide additional assistance, we work all over the world and if expats or subcontractors is posted globally we manage passport, work visas, accommodation, transportation, meals etc.” (William)

The assumption that standard expat procedure is classified as additional assistance is not true and misleading. So are partnerships really important to large businesses?

“Yes we do think there is value in partnerships. We do make use of partnerships, in our operations specifically in the specialised fields. Sub contractors should focus on specialising, which will set them apart from the competition. We partner with subcontractors to protect our own intellectual property (IP) as well.” (Paul)

5.4 Process and Relationship Risk

Risk analyses of identified processes and relationships. This section will be explored through the two-phase approach and focus on small enterprises and large businesses.

5.4.1 The Small Enterprise Process and Relationship Risk

The researcher interpreted process risk as the identification of a need, followed by planning, developing a specification, developing a method, compile documentation, determining offers, evaluation, negotiation, contracts formulation, and execution. Relationship risk also referred to as inherent risk; that you can simply inherent such risk by engaging in business. Key elements of relations risk are scope of services, contracts, geographical risk, and delivery of products. Relationship risk affects the small enterprise in upward contracting with large business or government and downward contracting with suppliers etc.

Company, Tax and VAT registration risk. Potential loss of projects where the requirements is of such a nature that it’s applicable to be registered as such.

“The main reason that we haven’t registered is that we do not earn enough to justify registration. Most main contractors that we subcontract for complain about our non-registration. They do however appoint us in the end.” (Joseph)

What is small enterprise service risk? Providing general service or start focussing on specialised service; would it generate more work and sustain small enterprises?

“Our company provides general ceiling subcontracting work which keeps us busy. We do however specialise in precision architectural bulkhead systems and any specialised ceilings constructions. The idea was to cater for both

markets open and exclusive. It has work well for us specifically in down times.”
(Mark)

“Being a main contractor does not allow us to specialise as we cater for all building work. Our company focus is general building work.” (Steve)

It is clear that Mark spotted the gap in the market to expand his existing knowledge and business into additional services rendered by their company. Steve however is still fixed on a typical traditional construction mind-set. Risks are events, which need to be identified which influence the natural flow of any given process.

“Our major restrictions are cash flow, continuous work flow and retaining trained staff.” (Richard)

“My company really struggle to keep good qualified workers as municipalities and government institutions employ them as soon as we have trained them we cannot compare salaries with government. We struggle to grow further due to a lack of infrastructure development; my only option is to look at international options.” (Anne)

Richards’s restrictions and obstacles are not qualified and too general. Anne however structured and elaborated on their obstacles and restrictions or limitations, they know what’s the cause is, so the action can be framed. Previously the focus to identify partnerships through processes and relationships where the researchers aim through identification of the assistance frameworks small enterprises requires and receive from large businesses is both beneficial and risky. For example if the main contractor/large business defaults the risk of the subcontractor defaulting is basically 100%.

“We have received advance payments and created partnerships. We have shared technical knowledge. Through all of this we have secured a continuous work flow.” (Andrew)

Small enterprises should be diverse in their partnership selection and should avoid sole service delivery to one large business. Various small contractors referred to cash flow as one of the main obstacles, payment terms in many cases influences this.

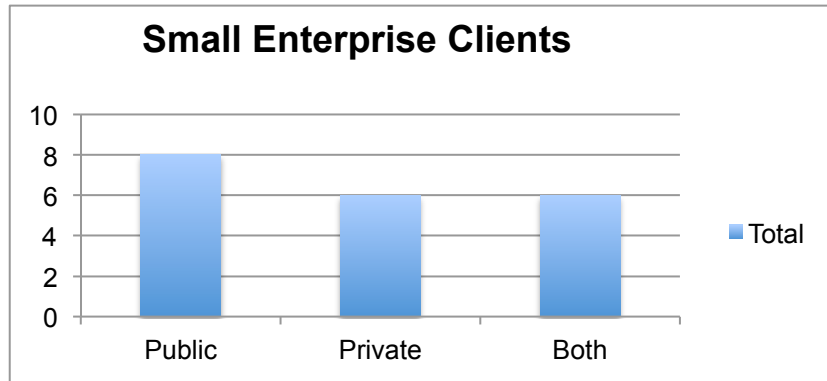


Figure 16: Client Distribution of Small Enterprises

Small enterprises should be risk averse and open to explore more than one sector to avoid missed opportunities and restricting possible growth and sustainability.

"I have worked for public contractors on schools, police stations, etc. I also work for various private medium size contractors in the private sector. I have always worked as a subcontractor and has always had a continuous flow of work." (Simon)

"We have always worked in the public sector. We have tried to enter the private sector but it is a totally different environment. You are always treated as a subcontractor" (Watson)

"We worked in the private sector and the project went bankrupt and we lost a substantial amount of money, private sector is more risky for us than public sector." (Rodney)

"We only operate in the in the private sector. Our B-BBEE is unfortunately just not a match for the public sector. We will however if asked, do work for public sector. I know your cash flow for public sector is higher and should carry you for up to four months." (John)

Simon has been operating in both the private and public sector as a subcontractor, keeping in mind that Simon gets paid fortnightly, no cash flow issues. Watson feels inferior entering the private sector; he unfortunately did not want to elaborate more on his personal issues with private sector. Rodney had first time experience and is extremely weary about the private sector. John is obviously in the sector that suites his

ethnic background, although he is open to work for any sector. He at least knows his limitations and why, which shows that he is intact with his business constraints.

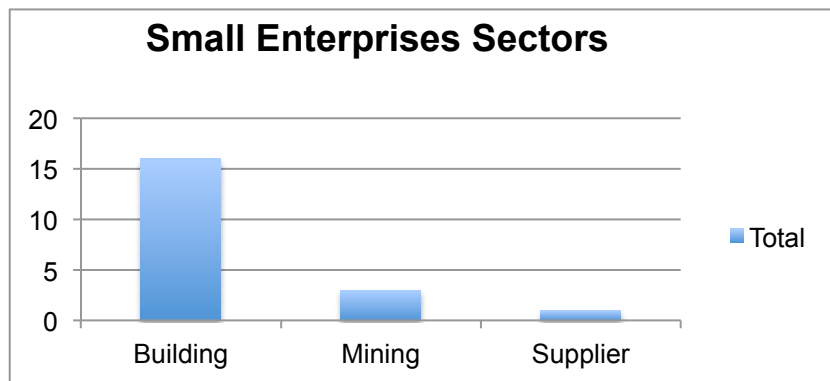


Figure 17: Small Enterprises Sector Allocations

The contractors were allocated on first response basis and interestingly the majority were operating in the building environment. It would be of value to see which of these small enterprises operates as main contractors and which a subcontractors.

“Subcontractors in my many years of experience have always been better of than main contractors. If you attend a tender briefing meeting you will find fifty contractors attending and only five subcontractors. Everyone wants to be a main contractor and I work for all of them.” (Simon)

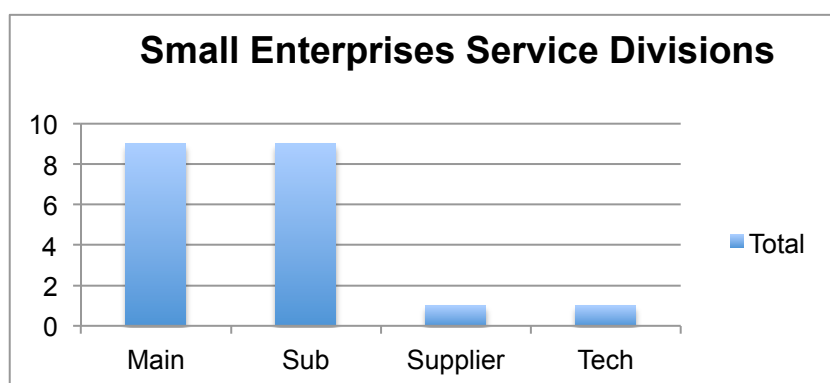


Figure 18: Small Enterprise Services Divisions

The group that were interviewed had a fair split between main contractors and subcontractors, which will be helpful to analyse the differences between the two groups.

5.4.2 Large Business Process and Relationship Risk

It is public knowledge that large contractors have major influences over the small enterprises access to work opportunities, key factors influencing their choice of subcontractor is financial capabilities, track records, management systems, legislative requirements, and B-BBEE status.

The success of long-term relationships lies with the small enterprises ability and dependency to continuously perform with the highest quality of work. A major issue currently in the news is the revision of subcontractor payment terms as this is probably the major issue small enterprises have with large businesses.

Small enterprises dissatisfaction with large businesses arises mainly because of late payments, under payments, and where small enterprises are pressured to reduce their prices. The main source of conflict can be defined as payment specifically with “pay-when-paid” principle. This was also evident in the small enterprises responses to cash flow problems.

The large businesses interviewed were definitely aware of the payment issues as discussed and in the interviews the researcher tried to direct the interview into that direction to get some insights. Small enterprises should meet the requirements of the large businesses before appoints can be processed.

“All companies have standard procedures to register their databases or vendor lists. The evaluation process includes proof of previous work, work references, possible site inspections of previous work, and competency tests if applicable. All relevant paper work bank details, bank letter, financials, Human resources, company details, B-BBEE, letter of good standing etc.” (Peter, Harry, Paul, Victoria, William)

“All specialised qualifications are aligned with governments policies to perform specific trades.” (Victoria)

“Small enterprises generally struggle with cash flow, management and talent management.” (Paul)

It is clear that large businesses manage small enterprises. Small enterprises should impress large businesses to keep themselves in demand. Large business is risk

averse and creates vendor registrations and pre-qualifications, this however open doors for the small enterprise that do qualify. It is clear that finances and cash flow is a critical problem.

“We already have partnerships with various small enterprise that provides us with specialised services and general subcontracting services. We keep vendor registration lists that all sub contractors should register on before appointment. It is a screening process to make sure small enterprises will adhere to our internal structures and to be able to conduct either national or international work for us.” (Harry)

Most large businesses have partnerships in place, which allows small enterprises the opportunity to become part of the subcontracting framework.

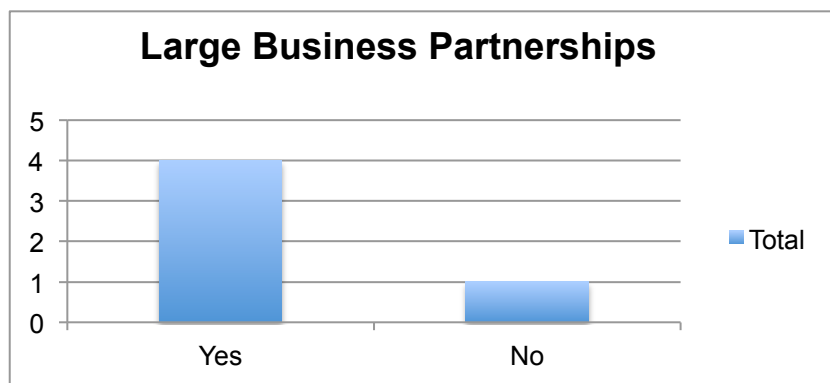


Figure 19: Large Business Partnerships with Small Enterprises

Four of the large businesses makes use of small enterprises through vendor lists, one large business still appoint small enterprises on a tender basis. This type of appointment method was traditionally used and was seen as open tender system. Large companies do apply a mitigation process through their vendor systems that limits their own risk.

5.5 Risk Mitigation

Thirdly we focus on small enterprises and large businesses risk mitigation procedures. The key mitigation findings will form the base of the design and the development of the “Optimising Strategic Partnership Model” which could assist small enterprises in preparing their companies to optimise partnerships with large entities.

5.5.1 Small Enterprise Process and Relationship Risk Mitigation

Risk mitigation is the process in which companies take steps to reduce adverse effects. Any company needs to identify its risk, develop a strategy to match the companies' profile.

Types of risk mitigation frameworks are risk acceptance, avoidance, limitations, and transfers. Each framework has its own advantages and disadvantages regarding implementation, processes, and cost.

Risk acceptance is where the company accept risk, this usually happens where the avoidance and limitations out weight the risk itself. If the risk mitigation will cost more than the avoidance and limitations the company will rather accept the risk factor.

Avoidance of risk is costly and time consuming. This framework is the opposite of acceptance; the company will at all cost avoid any risk.

Risk limitations are the most usual off all the frameworks. The enterprise identifies the risk and the actions taken on the risk points that would affect the project the most, with limited cost implication. Risk limitation is a weighing game. See Figure 20 for the researchers illustration of risk limitation. The "Optimising Strategic Partnership Model" will implement risk limitation as it focus on business acumen and not typical construction project related risk mitigation.

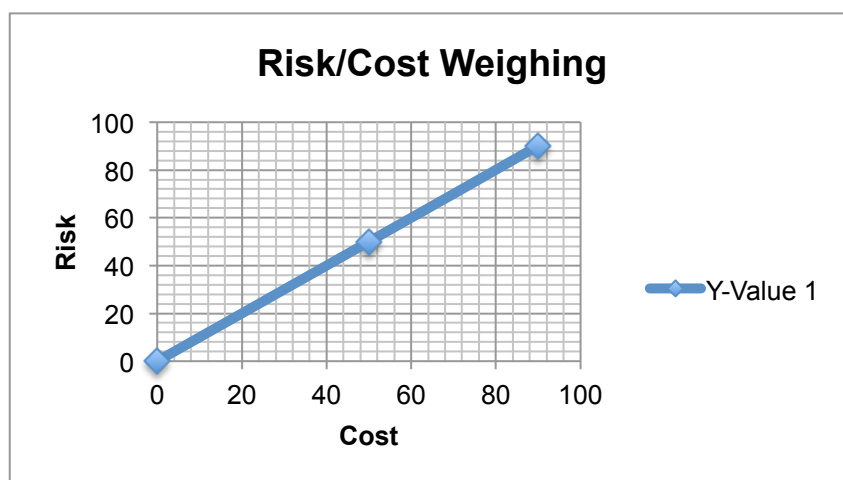


Figure 20: Risk/Cost Weight Model

The transfer of risk is the involvement of third party insurers such as insurance companies or banks; this is typical for construction project risk. Transfer risk can also be implemented where the enterprises primary business is construction.

Planning of risk is a key process in the mitigation of risk. Firstly risk should be identified, and then the impact of the risk should be measured. The risk elements should be categorised in an order of rank versus effect. Then the mitigation process takes place.

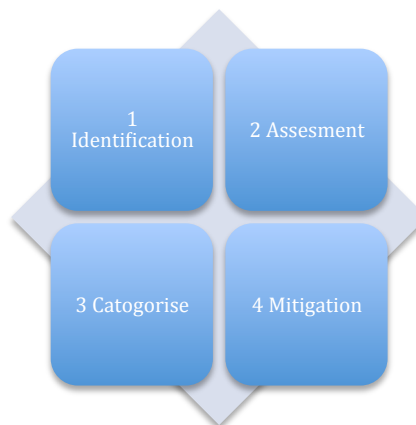


Figure 21: Mitigation Planning Order

“I know that I have to register my company. If I want to grow my company this will be the next step. The big contractors are already pressurising me to register my company and register for Tax.” (Simon)

It is clear that if you need to register on any of the large businesses vendor registrations lists the registration formalities and qualification needs to be in place.

Diversification within the construction industry from say building to mining or civil works, if possible, and could be beneficial to the small enterprise to spread work load opportunities.

Small enterprises that focus only on main contracting and others focussing only on subcontracting could diverse to grow opportunities.

“Our company made a decision last year to tender on a project as main contractor to test if we will be able to execute such a project. If the project is a

success we will be able to tender as main contractor and as subcontractor increasing our opportunities.” (Mark)

Growing into new fields but still maintaining your original composure is important for growth and expansion. Another option that small enterprises could explore to increase opportunities is to specialise.

“We do work on high voltage projects as well as general electrical work. We did however notice in the last couple of years that work in our speciality field has increased due to pressure on the national power supplier. We never before focussed on maintenance and suddenly there is huge demand for maintenance.” (Anne)

Risk mitigation could be future orientated, planning for your small enterprise over five years is difficult in a narrow-minded framework, but the possibilities are huge.

Small companies need to recognise their own obstacles and limitations to overcome them.

“As our company is still new we know our focus should be on business development on a global scale to build relationships that could grow into partnerships. How do we do this we target various possible large entities that could possibly need our services. We then set up meetings and attend every conference, seminar, indaba, etc.” (Andrew)

Small enterprises need to open up and explore different market sectors (public and private).

“Our company has since our inception in 2010 been operating in the private and public sectors with success the requirements are the same. There are some minor differences but it is mostly project related. We will definitely keep on servicing both sectors.” (Michael)

Small enterprises will have to turn their focus to finances and business administration to create relationships opportunities with large businesses.

Small enterprises should through partnerships create benefits that could help their own business through difficult processes as Grant explains.

"It will be beneficial for our company if we could move OHS training to the client or the main contractor if we want to move into subcontracting for large companies." (Grant)

The future of small enterprises will be their negotiating skills through relationship building. The small enterprise should set up partnerships with various large businesses in diverse sectors to become totally sustainable.

5.5.2 Large Business Process and Relationship Risk Mitigation

Construction, like all other industries want to improve sustainability and growth. The construction industry being involved in construction projects makes the industry extremely complex in terms off other industries. With the complexity comes a greater risk, more than in other industries. The mitigation of these risks is therefore critically important the end result of risk mitigation is to improve the bottom line.

The construction industry was under extreme pressure the last couple of years with profit margins as low as 0 to 2,5%. Risk mitigation therefore could influence companies making a profit or not or just making the business survive. Risk mitigation is linked to cost that could be defined as insurance premiums, time spent calculating risk, time spent dealing with risk, and retaining of losses.

It is important to place the construction industry as a systems integrator into parts of the economy. From a macroeconomic view the industry needs four basic elements to function on; land, materials, labour, and capital. All of this could be influenced or changed by government policies. We need to understand that the construction industry is a mobile service industry and the risk associated with that is more complex than in other sectors.

In light of this discussion it is clear why large businesses have to protect themselves, as their own risk profiles are high, and the risk management of the piers are therefore crucial. Large business implements vendor and subcontractor screening processes to mitigate their risk.

“As Multi National Corporation (MNC) we operate globally. Our risk portfolio is extremely large and complicated to manage and identify. We therefore screen all subcontractors and suppliers carefully to avoid problems. It is definitely a risk mitigation effort from our side.” (Harry)

Large business, as part of their global risk strategy, screens subcontractors.

“Through our evaluation process we also get insight into the small enterprise operations and where and who the key influencer and differentiator in the company is the operator.” (William)

It is clear that large business know who are the influential people behind the success of a small enterprise. This gives you insight of possible talent management and risk mitigation in case of failure by the small enterprise.

Companies in South Africa should adhere to all relevant company and tax laws and the proper implementation of B-BBEE.

“SARS and B-BBEE is important to our company not only out of a legal manner but also a social responsibility level. We do give preferential treatment to companies who rate the best.” (Victoria)

It is clear that public and private sector has similar responsibilities in the construction industry.

Large companies understand small enterprise obstacles and constraints, the question is however how do they administer this?

“Small enterprises generally struggle with cash flow, management procedures and retaining talent.” (Paul)

“We address identified obstacles through our integrated system. Small enterprises do however still struggle to fully understand and succeed in these complex environments, so we usually take the lead and guide the small enterprise through the compliance processes. It is important to understand that the small enterprise at some point should take the responsibility back.” (Paul)

This is key for relationship and process building that small enterprise know large business policies and assistance programmes.

Continuous training in the construction industry is an on-going process. Most large firms adhere to necessary training regulations and have the capacity to train staff internally. The small enterprise however has to make use of external trainee facilitators for the same basic training; do large firms see the opportunity?

“We identified a need for continuous training not only for our company but also our subcontractors. We also try to provide training not only on technical aspects but also on financial and business. We also have a programme we call the business readiness training programme which assist small enterprises to comply with our requirements.” (William)

These types of assistance programmes could be very beneficial for the large company if small enterprises start buying into the concept. Small enterprises could minimise risk and cost of compliance. This is typical processes and relationships that could build partnerships between large businesses and small enterprises.

“We have entered into a partnership programme that we cannot elaborate to much on due to the project only kicking off in 2016. The programme is to assist small enterprises in the construction industry to become fully compliance with large business and public sector requirements. The main idea is to uplift the company and the quality of tenders submissions.” (Harry)

For the small enterprise this could be the future solution to sustainability and growth. The question however is the large businesses participating on behalf of government or from a personal social responsibility perspective.

Assistance is one of the processes lacking in the system. Large business views on small enterprise assistance programmes.

“Public & Private Partnerships to train small enterprises which can then deliver specific services to the partnership.” (William)

Relationships between private and public sector are not healthy and some collaboration could remedy the partnership. Private sector proposes public private

partnerships (PPP), which could be an intelligent solution. It would be interesting to see what government and the private sector would be prepared to develop.

Large businesses should identify the true value of real partnerships with small enterprises, with various advantages such as risk spread through mitigation.

“All small enterprises register on our data base and is openly invited to tender on our projects. On some private tenders we make use of smaller selected groups. The problem in South Africa is that the majority of our work is in the foreign market due to a lack of infrastructure spending.” (William)

“Yes it is beneficial, we have various current partnerships in place. The problem is infrastructure development through the public sector does not stimulate large business requirements currently. Public sector and small enterprises assume that if they link with us they will have work for eternity, this is however a false promise as we do not get enough work in South Africa.” (Victoria)

Small enterprises falls under the same economic burden as the large businesses experience in South Africa. The construction industry and government infrastructure spending has unfortunately not been performing to stimulate the local capacity. Small enterprise is not in the position to search for international, or other greener pastures. One concern the researcher has identified is that a large construction business in South Africa has no representative on “The Institute of Risk Management South Africa”. This is a key element; if we are talking about partnerships, organisations, and the like. In such an extreme complex risk industry the need to form part of the national risk environment is key.

5.6 Conclusion

This chapter focussed on the identification of how processes and relationships influence both large business and small enterprises in South Africa. Secondly the focus shifted to risk identification through processes and relationships in small enterprises. Lastly we focus on the mitigation of this risk that’s influenced by processes and relationships.

The theme; “Optimising Strategic Partnerships to Lower Failure Rates in Small Enterprises in South Africa – A Construction Industry Perspective” has continuously followed its course through Chapter 5.

Three sub-questions were explored.

- Identify key construction processes and relationships that affect failure of small enterprises?
- Analyse the identified construction process and relationship risk?
- How small enterprise should mitigate risk through the “Optimising Strategic Partnership Model”?

The findings of the three key elements are summarised in the model in Figure 24.

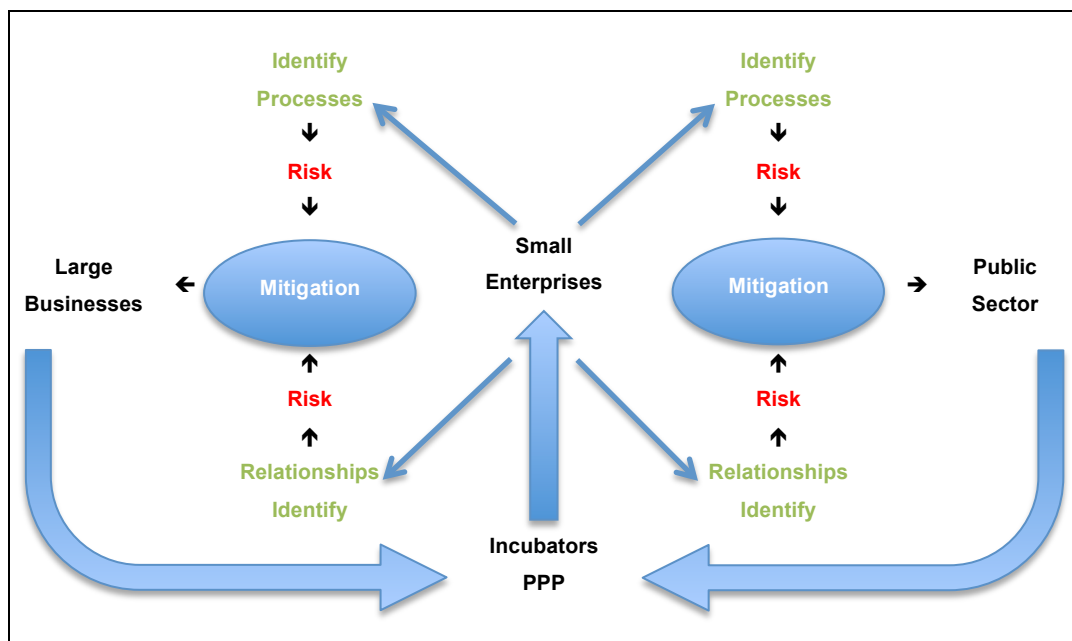


Figure 22: Three-Key Elements Model (Identification, Risk Analysis, and Mitigation)

Small enterprises face a complex, new and challenging time in the construction industry in South Africa. The basic concept of the findings contains three major areas.

Firstly small enterprises contract with government (public sector) to identifying specific processes and relationships characteristics (topographical, city, province, departments, etc.) that would be beneficial to the sustainability of the small enterprise. Understand the government processes and different sector processes. It is important to know what, when and how things happen in your environment through relationships and processes. Relationship and process risk should be evaluated by identifying the process and relationship risk (registering on government rosters, complicated tender

procedures, project finance, quality requirements, laws and regulations). Assessing the process and relationship risk (focus on the probabilities and the consequences of the risks identified, effect of performance, cost, time schedule, capabilities, and functionality). Categorising the process and relationship risk levels. Rank the order of events, decision-analytical-rules application, most to least, sample categories high, high medium, medium, low medium, and low. Mitigation of process and relationship risk begins with planning and identifying risk events, evaluate outcome and revise if necessary and start building a partnership platform.

The second major focus area is small enterprises contracting with private sector; identifying specific processes and relationships characteristics such as (company, sector, service, assistance) and then to focus on (topographical, city, province, etc.), that would be beneficial to the sustainability of the small enterprise. Understand the selected companies processes, different departments, and different services delivery requirements and identify target high-level decision makers, contact and start building a relationship. It is important to know what, when, and how things happen in the selected company regarding relationships and processes. Relationship and process risk should be evaluated by identifying the process and relationship risk (registering on vendor and database lists, the requirements of registering, tender procedures, tender documentation, project finance, payment schedules, quality requirements, etc.). Assessing the process and relationship risk (focus on the probabilities and the consequences of the risks identified, the effect of the performance, cost, time schedule, capabilities, and functionality). Categorising the process and relationship risk levels (rank the order of events, decision-analytical-rules application, most to least, sample categories high, high-medium, medium, low-medium, and low). Mitigation of process and relationship risk starts of with planning and identifying risk events. Private and Public sector relationships is key to build proper partnerships.

Lastly the major focus areas are the incubators programmes and public private partnerships (PPP) that assist small enterprises to evolve into sustainable small enterprises. Small enterprise should investigate the risk through the identification of processes and relationships of these institutions. Small enterprise must assess the process and relationship risk. After which all risks elements must be categorised (Rank the order of events, decision-analytical-rules application, most to least, sample categories high, high-medium, medium, low-medium, and low). Followed by the mitigation process of risks identified through these incubator programmes and PPP projects.

Chapter 6: Discussions of Results

In this chapter the results of chapter five is compared with the literature reviewed in chapter two. This is done through looking at alignment and differences with concept of optimising strategic partnerships to lower failure rates of small enterprises in the construction industry.

The key questions that needs to be answered:

- Identify key construction processes and relationships that affect failure of small enterprises?
- Analyse the identified construction processes and relationships risk?
- How the small enterprise should mitigate the risk identification through the designed and developed “Optimising Strategic Partnership Model”?

Summaries are provided on data researched, literature reviewed and combined findings. This is simple more comparable approach to identify the processes and relationships patterns and trends that emerge from the findings.

6.1 Identify Key Construction Processes and Relationships

6.1.1 Data Collected and Literature Review

Stephen Covey said, *“Trust is the glue of life. It’s the most essential ingredient in effective communication. It’s the foundational principle that holds all relationships.”* Small Enterprises should build trust with large businesses.

To identify processes and relationships the researcher defined processes and relationships that are applicable to this topic.

A process that is required through legislation is not applicable to this study; these include processes such as registering your business through the “Companies and Intellectual Property Commission” (CIPC). Registering for income tax and withholding taxes and VAT through the South African Revenue Services (SARS). Registering with the Unemployment Insurance Fund (UIF). Registering with the Construction Industry Development Board (CIDB). Registering with the National Home Builders Registration Council (NHBC) and B-BBEE verification registration.

The pressure on small enterprise to succeed is extreme, most small enterprises are owner managed with limited managerial skills. The South African construction industry is based on a paper and stamp system, which is timeous and complicated. Government has to restructure its policies on stimulating small enterprise growth via procurement due to abundant "red tape" measures that small enterprise should adhere to (Beach et al., 2005). This is however a topic for another research theme.

"Can't the process change?" (Amanda)

The contract procurement system used by the local construction authorities on all levels of government is complex and complicated (Harmond & Manchidi, 2002).

The processes focussed on in this research are the skills processes that small enterprise can effectively target to minimise failure. These processes are those once that stimulates the needs and the so important assistance small enterprises require.

The overall achievement is determining efficient and effective tools and techniques for all stakeholders in the industry with a specific focus on small enterprises (Heng & Love, 2000). In Figure 1 the focus area for small enterprises are evident between public and private sector infrastructure development to the small enterprise.

The critical challenges that small enterprises in the construction industry face through construction processes are a lack of managerial expertise, planning capacity, access to opportunities, prolonged economic recession, lack of financial skills, competition, skilled employees, business skills, technical skills and pricing skills (W D Thwala, 2014).

To identify the small enterprises needs and assistance requirements as key drivers. All businesses focus on specific needs to create sustainability. Assistance comes from sharing expertise, know how, and business relationships.

"South Africa needs a platform to manage, guide and assist private start-up companies." (Andrew)

Small enterprise incubators provides various targeted business support and technical support services aimed at growing small enterprises into financially and operationally independent enterprises (Masutha & Rogerson, 2014).

"Small enterprises need financial assistance." (Amanda)

Small enterprises have identified shortage of capital as a major problem that impacts their operations (Lewis, 2013).

"Large enterprises and government should lead the way on targeting small enterprise shortcomings." (Rodney)

"We receive contract and site assistance from most of our clients, we had cases where our clients bought the material if we were cash strap." (Anne)

Large business provide targeted business support and technical support services that aim at growing small enterprises into financially and operationally independent enterprises (Masutha & Rogerson, 2014). CIDB was to unlock growth constraints and stimulate the role of industry and stakeholders for skills development, meaningful empowerment and improved small enterprise performance (Mofokeng & Thwala, 2012).

"Small enterprises that does perform needs a more stable and controlled environment and continuous work flow." (Anne)

This framework is set to stimulate the role of industry for empowerment and performance (CIDB & DPW, 2011). Small enterprises in the construction industry tend to compete in the small main contractor barrier rather than seeking opportunity to specialise in specific subcontractor trades (such as plasterwork or brickwork) (Tshivhase & Worku, 2012).

The needs and assistance small enterprises require could easily be linked to the following identified processes such as managerial expertise, planning capacity, access to opportunities, lack of financial skills, competition, skilled employees, business skills, technical skills and pricing skills.

The value of a relationship relies on the level of influence that your connection has on decision-making in his/her organisation.

"My relationships are with the owners of the construction companies I deliver services not to foreman's or site agents." (Simon)

A partnership is the relationship that exists between two or more persons who join to carry on a trade or business. Each person contributes money, property, labour or skill, and expects to share in the profits and losses of the business (Martin & Root, 2012). If the connecting partner is not a decision maker in his/her large business then Simon will not succeed.

Most of the relationship links that do exist is cosmetic and only politically correct (Luiz, 2002). These critical challenges faced by small enterprises leads to relationship problems between the various parties and forces a lack of trust, onerous contract conditions, loading of risk, unfair selection procedures, unfair payment procedures and failure to accept small enterprises as equal project partners (Emuze & Julian Smallwood, 2014).

Relationship problems leads to inefficient and ineffective problem-solving mechanisms as well as adversarial relationships, contributes to poor performance in the industry (Windapo & Cattell, 2013). This constitutes “tense” relationships within a project environment between small enterprises and main contractors. If conflict is not properly managed, it can easily lead to relationship breakdown that portends negative consequences for not only the project but also the life expectancy of the small enterprise (Emuze & Julian Smallwood, 2014). Relationship planning is essential for building long lasting valued relationships.

“As a technology provider we work hard on building relationships to develop into partnerships long before a project is even on the table. We only deal with the decision makers, executive or senior management.” (Andrew)

Andrew’s company is dependant on partnerships as they provide technology; building proper partnerships they need to focus on long-term relationships.

“I have received advance payments to keep my cash flow running, I have received advance payments to keep my plant (vehicles, etc.), running. Through my relationship key partnerships has been formed which assisted me with continuous workflow.” (Simon)

“We receive contract and site assistance from most of our clients, we had cases where our clients bought the material if we were cash strap.” (Anne)

It is clear to have the ability to manage relationships may lead to “collaborative advantage”, which emphasises the creation of “new value together” rather than the “neutral” exchange of resources between small enterprises and main contracting entities (Emuze & Julian Smallwood, 2014).

“My relationships are build on friendships over the years all my contacts with the companies that we work for is on the executive management team. It is the top level that makes the decisions not the site personal.” (Anne)

The major focus to streamline processes and create true relationships is key for survival (DuVenage, 2014). Skills transfer within this strategic partnership framework depends on the small enterprise willingness and aptitude to learn (Cidb, 2013).

6.1.2 Findings

It is evident from the literature reviewed and data collected that an emphases is placed on system processes on which small enterprise feel government should change legislation to simplify the system. Small enterprise similarly feel that the private sector should change their vendor and data registration systems that runs parallel with info required through the public legislation system. This is however not the researchers focus.

The urgency for interaction between the various stakeholders is increasing and an on-going task for achievement not only by government but also the private sector. The major focus to streamline processes and crate true relationships is key for survival (DuVenage, 2014).

The processes and relationship change should come from the small enterprise; planning change creates direction and a goal for the small enterprise. Skills transfer within this strategic partnership framework depends on the small enterprise willingness and aptitude to learn (Cidb, 2013). By identifying processes and relationships the small enterprise focus on the adaptable and influential part of the business becoming the first reactor towards change. This change could be either through processes adaption or relationship methods.

Processes the researcher identified, as key findings were business and managerial expertise, planning capacity, access to opportunities, lack of financial skills, competition, skilled employees, and technical and pricing. Optimising these processes

correctly could help small enterprises to minimise failures. The processes identified were findings based on small enterprises needs and assistance requirements as Anne and Amanda explains.

“Small enterprises that does perform needs a more stable and controlled environment and continuous work flow.” (Anne)

“Small enterprises need financial assistance.” (Amanda)

Large business and government provide targeted business support and technical support services that aim at growing small enterprises (Masutha & Rogerson, 2014). Small enterprises has to be open to learn from established companies and the exploitation of the social capital to gain through knowledge may assist small enterprises in their quest to become sustainable enterprises (Martin, 2012). This is where private sector plays a pivotal role in partnership creation through teaming up or forming consortiums with various small enterprises to act as subcontractors to execute the works (Mahlutshana, 2013).

Two key data elements researched were the attitude adopted by Andrew and Anne.

“We work hard on building relationships to develop partnerships long before a project is even on the table. We only deal with the decision makers, executive or senior management.” (Andrew)

“My relationships are build on friendships over the years. My contacts are all on an executive management level. It is the top level that makes the decisions not the site personal.” (Anne)

Specific emphases should be placed on *“hard work, pre project efforts, decision makers/partners, friendships”* these trademarks will effectively form part of the key elements of relationship building. The major relationship elements identified is consistency, effort and trust.

Lastly government and private sector promotes the development of small enterprises through the use of business incubators to counter the failure rates of small enterprises (DPW, 2009). The countries Small Enterprise Development Agency (SEDA) have largely driven small enterprise development incubators. The private sector has also

become involved in the development of incubators, this has been welcomed by various government institutions (Masutha & Rogerson, 2014).

This is key for small enterprises to explore processes and build relationships with all parties involved. The findings led the researcher to believe that literature is coinciding with data researched and the same external and internal issues were presented. It could be argued that some key elements came through stronger than others although the general overview was that the literature and the data complemented each other.

6.2 Risk Analysis of Identified Processes and Relationships

6.2.1 Data Collection and Literature Reviewed

The important fact about risk analysis is to access factors that may influence achieving a goal. The major processes and relationships the researcher identified could be summarised as follows;

Processes focus elements: Managerial and employment expertise, planning and opportunities, access capacity, lack of business and financial skills, technical, environment and pricing skills.

Relationships focus elements: Consistency, effort and trust.

Methods of implementation: Will be through incubator programs direct linked to private and public sector. Targeting the key influencers and decision makers in both sectors.

The researcher interpreted process risk as the identification of a need, followed by planning, specification, method, documentation, offer, evaluate, negotiate, contract, and execute. As part of this research we focus on identification. On the relationship side key elements of relations risk are scope of services, contracts, geographical risk, and delivery of products.

Assessing identified processes through literature and data collection

- Managerial and employment expertise

Key factors influencing choice of main contractors appointing subcontractors could be summarised as; the small enterprise financial capabilities, track records, previous

projects current projects, management systems, legislative requirements, and B-BBEE status. Legislation as discussed cannot easily be changed however all small enterprises compete equally. Small enterprises should make sure that it's managerial, employment and administration are in place.

Internal factors for failure exist which could relate to the contracting entity itself (small enterprise) and include lack of management skills (Martin, 2012).

The lack managerial skills, which place significant pressure on the company's management to sustain the enterprise (Martin & Root, 2010).

On the employment side small enterprise managers/owners lack the motivation, specific talent or skills, to keep talent and cannot compete with large firms (Masutha & Rogerson, 2014). Small enterprises cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency (Abor & Quartey, 2010).

- Planning opportunities and access capacity

Explore more than one sector (both private and public).

"I have worked for public sector as well as private sector as a subcontractor and has always benefitted form a continuous flow of work." (Simon)

Large business is risk averse; and creates vendor registrations and pre-qualifications as risk mitigation. This, however levitate small enterprise that qualify.

"We already have partnerships with various small enterprise that provides us with specialised services an general subcontracting services. We keep vendor registration lists that all sub contractors should register on before appointment. It is a screening process to make sure small enterprises will adhere to our internal structures and to be able to conduct either national or international work for us." (Harry)

- Business and financial skills

Diversification between operating as a main contractor or a subcontractor could leverage more opportunities.

“Subcontractors in my many years of experience have always been better of than main contractors. If you attend a tender briefing meeting you will find fifty contractors attending and only five subcontractors. Everyone wants to be a main contractor and I work for all of them.” (Simon)

Small enterprises focus on short-term profits, rather than investment on longer-term integrative and strategic approach to operations (Emuze & Julian Smallwood, 2014).

- Technical, environment and pricing skills

What is small enterprise service risk? Providing general service or start focussing on specialised service, could expand service delivery. The key focus is on the small enterprise environment of competitors what is delivered in the market and with what can the small enterprise compete.

“We provide general ceiling subcontract work. We specialise in precision architectural bulkhead systems and any specialised ceilings constructions as well. We cater for both markets. It works well in down times.” (Mark)

Internal factors for failure exist which could relate to the contracting entity itself (small enterprise) and include lack of technical skills (Martin, 2012).

Yearly increases for the industry from 2011 to 2015 were a mere 0.2% growth per annum, which is unsustainable and cannot stimulate the economic demand in the construction industry (PWC, 2014).

Key influencers identified by small enterprises that influence their performance encompasses a lack of bid price pressure from main contractors (Cidb, 2013).

Assessing identified relationships elements through literature and data collection

- Consistency

Another issue raised is the insufficient demand in the construction industry (BMI Research, 2014). Larger contractors respond by moving into the international markets eliminating the ability for small enterprises to participate in such projects (Wellington Didibhuku Thwala & Phaladi, 2009).

Programmes has been recommended like strategic project initiatives through the Department of Public Works, long term mentoring programmes coupled with short term financial assistance through the CIDB (Harmond & Manchidi, 2002).

- Effort

Strategic partnerships leads to the willingness of the main contractor to participate in skills transfer schemes (Cidb, 2013)

- Trust

The main source of conflict can be defined as payment specifically with “pay-when-paid” principle. Government has addressed this issue and has been in the process of change through legislation ((DPW, 2015). The small enterprise should overcome this through negotiation and trustful partnerships.

6.2.2 Findings

Risk findings associated with the identified processes through literature and data collection

- Managerial and employment expertise

Operating as a main or subcontractor forces the small enterprises to conform to legislative requirements. The risk of being an owner/manager and not having an administrator handling this is adding pressure to the business owner.

Management skills are key in the day-to-day operations of the business and projects. Risk of management failure could lead to profit losses, damage to relationships, harmful reputations and possibly failure of the small enterprise.

Management in small enterprises should gear themselves to avoid failure. The risk is that a lack of knowledge could lead to unintelligent decisions.

Talent management is critical and small enterprises always hold the risk of losing talent created to large businesses that provides more benefits and remuneration, specifically providing services to the large businesses projects.

Upgrading of skills is important for growth in any company. The risk of not being able to upgrade skills could lead to talent moving away, and missing technical opportunities.

- Planning opportunities and access capacity

Servicing both public and private sector definitely has advantages and disadvantages. The risk of servicing both sectors is over commitment, operating in two different environments and different clients.

If the small enterprise does conform to all requirements on the large business vendor or databases list it does create opportunities for the small enterprise.

- Business and financial skills

Operating as main contractor and as subcontractor could create an identity problem. Operations have different contractual requirements. Could put strain on managerial aspects.

Small enterprises tend to focus on short-term profit rather than long-term gains. The risk of short-term profits is a lack of long-term investment.

- Technical, environment and pricing skills

The risk factor if the company expands it's service delivery the company has to accept more risk through growing capital expenditure, appointing specialised employ, cash flow management constraints, and more difficult working environment in the specialised arena.

Lack of technical skills could lead to the total failure of a small enterprise. Contractor's risk lies in his technical ability to execute, manage quality, technical employment, technical experience, etc. The risk of taking on technical work which, is not within the small enterprise scope of deliverables.

The external environment is currently under extreme pressure with low growth potential. The risk the small enterprise will experience is that limited work is available in the market.

Price pressure will always be a risk one being the small enterprise, initial price determination, and the other competitive prices, and lastly, price reductions requested from large business.

Risk findings identified through relationships elements in the literature and data reviewed

- Consistency

Inconsistency in the market is a major risk for the existence of small enterprises.

Small enterprises always run the risk that large business has a global footprint and could seek opportunities outside the small enterprise scope and locality.

Government programmes could assist small enterprises with needs and assistance. The risk however is that the small enterprises wish to participate but government fails to achieve targets and promises.

- Effort

Small enterprises focus must be the effort to build relationships with large businesses. Small enterprises should negotiate with large business to quality skills transfers. The risk however is that small enterprise wastes its time and effort.

- Trust

“Pay-when-paid” is a serious issue for small enterprises that cannot carry financial project cost in the same manner large enterprises can and would always be a risk factor for the small enterprise.

Connecting risk to identified processes and relationships could assist small enterprises to prioritise key elements from high to low. The findings led the researcher to believe that literature is coinciding with data researched and that literature do refer to risk and

provide options to measure and identify it. The researcher argued that some key elements came through in the literature regarding risk and that the literature and the data complemented each other.

6.3 Risk Analysis of Identified Processes and Relationships

6.3.1 Data Collection and Literature Reviewed

Risk mitigation is the process in which companies take steps to reduce possible adverse effects. Any company needs to identify its risk, develop a strategy and match it to the companies' profile. Types of risk mitigation frameworks are risk acceptance, avoidance, limitations, and transfers. Each framework has its own advantages and disadvantages regarding implementation, processes, and cost.

Risk limitations are the most used off all the frameworks. The enterprise identifies the risk and the action to be taken on the risk points that will affect the project the most, with as little cost as possible. Risk limitation is a weighing game. See Figure 20 for the researchers illustration of risk limitation "Risk/Cost Weight Model. The "Optimising Strategic Partnership Model" will implement risk limitation as it focus on business acumen and not typical construction project related risk mitigation.

Planning of risk is a key process in the mitigation of risk. Firstly, risk should be identified, and then the impact of the risk should be measured. The risk elements should be categorised in an order of rank versus effect. Then the mitigation process takes place. Refer to Figure 21, which indicates the mitigation planning order.

Mitigation of risk associated with the identified processes through literature and data collection

- Managerial and employment expertise

Some major risks identified; the risk of being an owner/manager but not having administrative assistance. Lack of management skills effects operations and projects. Management failure leads to the small enterprises failure. Continuous knowledge retention is key to avoid management making unintelligent decisions. Talent management is critical for small enterprises to operate. Skills upgrade is important for growth in any company.

Consequently, established contractors are rewarded if interactions between emerging and established contractors, by means of using the emerging contractors services or assisting in their training and development, are evident (Martin, 2012).

- Planning opportunities and access capacity

The risk of servicing both private and public sectors could lead to over commitment. The risk of overcommitting the company to various large companies could run the small enterprise into under performing.

Another option that small enterprises could explore is to increase opportunities by means of specialisation.

“We do work on high voltage projects as well as general electrical work. We did however notice in the last couple of years that work in our speciality field has increased due to pressure on the national power supplier.” (Anne)

Small companies need to recognise their constraints and limitations.

“As our should grow partnerships. We target large entities that could use our services. We set up meetings and attend every conference, seminar, indaba, etc.” (Andrew)

Small enterprises need to explore different market sectors (public and private).

“Our company has since our inception in 2010 been operating in the private and public sectors with success the requirements are the same.” (Michael)

- Business and financial skills

Risk of operating as main contractor and as subcontractor could create an identity problem in the market. Operations require different managerial, administrative, and contractual requirements, which could put strain on management.

Small enterprises should however investigate the opportunity to operate as main contractor and subcontractor

“We explored the option to operate as main contractor and to test the feasibility and our adaptability. If successful we will operate as both increasing our opportunities.” (Mark)

The future of small enterprises will be determined by their ability to negotiate.

“We identified a need for continuous training of all our subcontractors. We train not only on technical aspects but also on financial and business. We also have a programme we call the business readiness training programme which assist small enterprises to comply with our requirements.” (William)

It is therefore critical that main contractors should adopt these collaborative procurement methods to improve performance and promote strategic partnerships through innovation in the construction industry (Martin, 2012).

- Technical, environment and pricing skills

Risk in growing capital expenditure, appointment of specialised employment, cash flow management constraints, and more difficult working environment in the specialised arena. Lack of technical skills limits the ability to execute projects properly. This risk limit work opportunities. Price pressure risk on the small enterprises arithmetical ability, competitor’s prices, and price deductions requested from large business.

Diversification within the construction industry from building to mining or civil works could open up opportunities for small enterprises.

The construction industry needs four basic elements to function land; materials, labour, and capital. All of this could be influenced or changed by government policies. We need to understand that the construction industry is a mobile service industry and the risk associated with that is more complex than in other sectors.

“As Multi National Corporation (MNC) we operate globally, our risk portfolio is extremely large and complicated to manage and identify. We therefore screen all subcontractors and suppliers carefully to avoid problems. It is definitely a risk mitigation effort from our side.” (Harry)

Training and skills development will ensure product quality required by the large entity but will also be beneficial to their development (Luiz, 2002).

Mitigation of risk, findings identified and relationship elements through literature and data collection

- Consistency

Inconsistency in the market is a major risk for the existence of small enterprises. Small enterprises run the risk that large business has a global footprint and could seek opportunities outside the small enterprises scope. Government programmes could assist small enterprises with needs and assistance. The risk however is that government fail to achieve.

- Effort

The risk however is that the small enterprises is wasting time and effort to set up proper relationship actions.

Small enterprise through partnerships can create benefits that could help their own businesses with difficult processes.

"It will be beneficial for our company if we could move OHS training to the client or the main contractor." (Grant)

- Trust

Risk of "Pay-when-paid" is a serious constraint for small enterprises.

Assistance programmes could be beneficial to large companies if small enterprises accept the concept. Small enterprises minimise risk and cost of compliance. This process and relationships will help build partnerships.

"We have entered into partnership programmes. The programme assists small enterprises to become compliant with large business and public sector requirements." (Harry)

Government promotes the development of small enterprises through the use of business incubators to counter the failure rates of small enterprises (DPW, 2009).

6.3.2 Findings

Risk mitigation findings associated with the identified processes through literature and data collection

- Managerial and employment expertise

Managerial skills under small enterprises should be developed either through incubator programmes, private sector skills training or public skills programmes. Small enterprises should focus on outsourcing underdeveloped skills.

- Planning opportunities and access capacity

Small enterprises should explore the option to provide a specialised service together with standard service delivery. Identify constraints and limitations and create an action plan to address these.

“Just do it”; set up meetings with large entities, attend seminars, conferences, and indabas to create awareness and build relationships. Focussing on both private and public sector service delivery.

- Business and financial skills

Small enterprise should investigate the opportunity to operate as main contractor and or subcontractor. Small enterprises have to learn how to negotiate. Seek large companies that do provide training.

- Technical, environment and pricing skills

Small enterprises should explore the option of delivering the same service to different sectors within the construction industry. Small enterprises in the construction industry should be mobile as construction is a mobile industry. Government policies could change and directly influence small enterprises business. Tender pricing skills to be developed in order to compete in the open market.

Risk mitigation findings identified relationships elements through literature and data collection

- Consistency

Create your own company brand.

- Effort

Contact with large entities. Attend seminars, conferences, and indabas. Transfer specific requirements your company lack to the main contractor through negotiations.

- Trust

Negotiate proper payment terms. Build trust with companies that could assist and stimulate your needs through special programmes that boost small enterprises.

Mitigating the risk processes and relationships that were identified could assist small enterprises to limit failure rates. The findings led the researcher to believe that literature is coinciding with data researched and that literature does refer to risk mitigation. The researcher argued that some key elements transpired through in the literature regarding risk and that the literature and the data complemented each other therefore researcher can now conclude his model.

6.4 Conclusion

Research question one was to identify key construction processes and relationships. The researcher had to differentiate between legislative processes and skills processes on which this research was focused. The processes, relationships and partnerships identified was; Processes focus elements: Managerial and employment expertise, planning and opportunities access capacity, lack of business and financial skills, technical skills, environment and pricing skills. Relationships focus elements: Consistency, effort and trust. Methods of implementation: Incubators and direct contact with private and public sector, targeting key influencers and decision makers. The findings led the researcher to believe that literature is coinciding with data researched and the same external and internal issues were presented. It could be argued that some key elements came through stronger than others although the general overview was that the literature and the data complemented each other.

Research question two was to link risk to the identified processes and relationships. Connecting the risk elements to the identified processes and relationships could assist small enterprises to prioritise key elements, which could be rated from high to low. The findings led the researcher to believe that literature is coinciding with data researched and that literature do refer to risk and provide options to measure and identify it. The researcher argued that some key elements came through in the literature regarding risk and that the literature and the data complemented each other. The important fact about risk analysis is to access factors that may influence achieving a goal.

Question three refers to the mitigation of the risk identified through the processes and relationships. Mitigating the risk processes and relationships that were identified could assist small enterprises to limit failure rates. The findings led the researcher to believe that literature is coinciding with data researched and that literature does refer to risk mitigation. The researcher argued that some key elements transpired in the literature regarding risk and that the literature and the data complemented each other. Risk mitigation is the process in which companies take steps to reduce adverse effects. Types of risk mitigation frameworks are risk acceptance, avoidance, limitations, and transfers. Each framework has its own advantages and disadvantages regarding implementation, processes, and cost. Risk limitations are the most used off all the frameworks and the one the researcher used to build his model on.

Chapter 7: Conclusion

7.1 Major Findings

7.1.1 Model Design

Creating a risk model all systematic factors should be investigated in order to effect improvement (Sundar, 2013). Small enterprises have key business and legislative processes that are governed by law and cannot be changed easily. The overall achievement is determining efficient and effective tools and techniques for all stakeholders in the industry with a specific focus on small enterprises (Heng & Love, 2000). Firstly applicable categories had to be identified for skills processes and relationships. These categories were developed through the literature reviewed and data researched. A risk process to develop a hierarchy of cardinal issues to ensure the most beneficial business result, followed by mitigation, and implementation to create optimised strategic long-term partnerships.

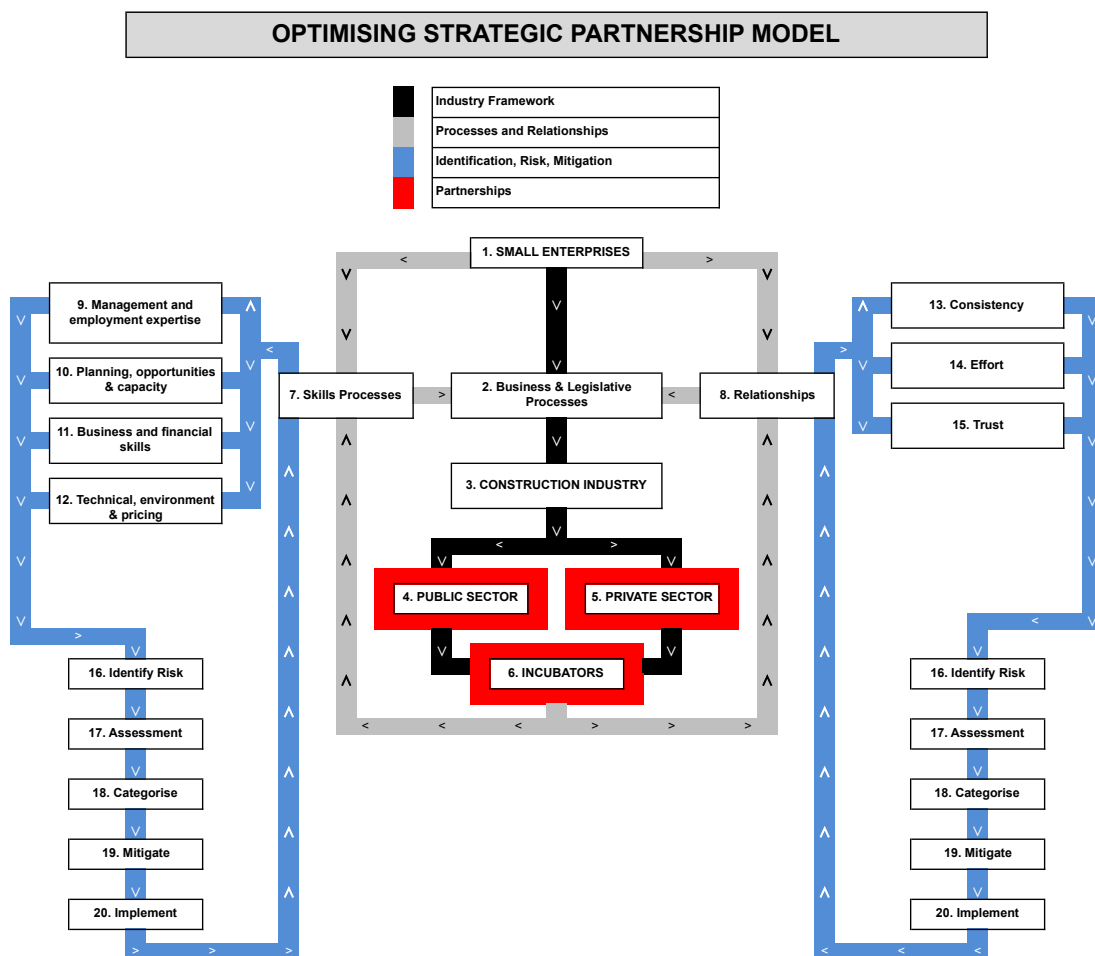


Figure 23: Optimising Strategic Partnership Model

7.1.2 Model Layout

The model consists of four categories; the industry framework (black), skills processes and relationships (grey), process and relationship category identification, risk and mitigation (blue) and proposed partnerships (red).

Industry Framework (black): Small Enterprises (1) operating within the framework of the construction industry (3). Small enterprises contract and operate within a business and legislative process (2), which is governed by law. The two major sectors where small enterprises can operate are the private (5) and public (4) sectors. The private and public sector created partnership and established incubators (6) to assist small enterprises.

Process and Relationships (grey): Small enterprises have to optimise strategic partnerships to lower failure rates. This is done through soft skills processes (7) and relationships (8), which are based on needs, and assistance small enterprises requires. Private and public sector incubators assist small enterprises through the soft skills processes and relationships.

Identification, Risk and Mitigation (blue): This section is applicable to both soft skill processes and relationships. Firstly a category is selected (9-15). The category risk profile is identified (16), followed by assessment of risks (17), categorised (18) in sequence of cardinal option, and weighed against most beneficial for the small enterprise over the long-term. Mitigation (19) will follow and concluded with implementation (20). Which goes back into the system of business and legislative processes (2).

Proposed Partnerships (red): Small enterprises through optimising strategic partnerships aim to create long-term partnerships with public sector (4), private sector (5), and incubators (6).

7.1.3 Model Implementation

A small enterprise operating in the public sector as main contractor wants to grow his/her business in the shortest time, with limited capital expenditure, and comfortable integrating into existing services. Options to expand:

- A. Expand current services topographically to other regions,
- B. Start operating in another sector (for instance mining),
- C. Become a specialist and add additional services to his/her portfolio,

D. Start operating as a main and sub contractor in the private and public sector.

All of the above will fall under skills processes (7). All four options are categorised under model points (9-12). So point A=10, B=10, C=10, D=10 (10 = Planning, opportunities and capacity). Risk analysis is then applied to the points.

Table 5: Risk steps Identification (16), Assessment (17), and Categorisation (18)

	Option A	Option B	Option C	Option D
	Risks:			
	Expand current services topographically to other regions	Start operating in another sector (for instance mining)	Become a specialist and add additional services to his/her portfolio	Start operating as a main and sub contractor in both private and public sector
Time	Time to implement (+- 12 Months)	Time to implement (+- 12 Months)	Time to implement (+- 6 months)	Immediately
Cost	Large Capital Layout (New Offices)	Large Capital Layout (Mine Compliant)	Medium Capital Layout (Specialised)	No cost
Employment	Increase staff (All levels)	Increase staff (All levels)	Increase staff (Specialised Staff)	Grow with capacity
Plant	Increase plant, machinery etc. (Full Scope)	Increase plant, machinery etc. (Full Mine Scope)	Increase plant, machinery etc. (Specialised Scope)	Grow with capacity
Relationships	No new relationships (New Area)	No new relationships (New Sector)	Use current relationships & target new ones	Use current relationships & target new ones (RISK)
Topographical	New Area	Possible	No	No
Generating Work (25%, 50%, 75%, 100%)	25%	25%	50%	75%
Regulation Change	No	Yes	Possible	No
Sector Change	No	Yes	No	No
Company Services Change	No	Yes	Yes	Yes

It is clear from Table 5 that option D is the most favourable option to expand the small enterprise measured against the specific criteria provided. Mitigation (19) of risks identified and implement (20). Firstly change company image around service delivery from only main contractor to subcontractor and from only private sector to public sector as well. Provide clarity on the size of projects to be subcontracted and which as main contractor. Secondly target all existing clients to introduce new services. Target new clients in the subcontracting target market and focus on public and private sector. Use relationships provided through incubators (6) to expand services into the industry.

7.2 Recommendations

The research has highlighted a number of recommendations that academics, policy makers, practitioners, training and education can focus on. Academics, the researcher recommends more research into the topic of the sustainability of small enterprises in the construction industry through project output processes and relationships (Beach et al., 2005). Policy makers needs to focus on legislation changes Windapo (2013) identified that government passed more than 1000 pieces of legislation, which initiated countless regulations in the industry. This has lead to the situation that project role outs being slowed down which lead to unnecessary time constraints and cost (Windapo & Cattell, 2013). To practitioners the recommendation are that managers in private and public sector in current dynamic markets should produce small enterprises that are sustainable; the traditional conditions of contracts have to be revised as small enterprises are unable to cope with industry standard arrangements (Pipe, 2011). Training and education is key to the success of small enterprises. This can only be done through specific initiatives where government and private sector promotes the development of small enterprises through the use of business incubators to counter the failure rates of small enterprises (DPW, 2009).

7.3 Future Research

The researcher has identified the following as possible future research topics.

- An investigation into the business and legislative processes under which small enterprises have to operate in the construction industry. Research should be conducted to establish government's limitations and constraints on small enterprises. Small enterprises experience various distortions and government may have to rectify these distortions to level out the playing field (Luiz, 2002)
- A research investigation into the cooperation and partnerships of private and public sector to assist with the success of small enterprises. Optimising strategic partnerships in the construction industry is a key issue that needs to

be explored to increase sustainability and success of small enterprises in South Africa (Artto et al., 2008).

- The influence private and public sector has on the needs and assistance requirements of small enterprises in South Africa needs to be addressed. Private sector partnerships with public sector (through private public partnerships (PPP), which is the arrangement between two parties to provide public sector activities or general services) is a long term based initiative (Nel, 2015).

7.4 Conclusion

In conclusion this research has therefore met its objective of developing an optimised strategic partnership model through the identification of processes and relationships, risk identification and mitigation. This was done through literature review and data collection from small enterprises and large businesses in the construction industry. Hopefully small enterprises can benefit from this model, it is however going to be a team effort. Small enterprises are however limited on what they can do. Private and public sector will have to intervene through incubator programs that could assist small enterprises and could be an effective reality in the near future.

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Appendices

Appendix 1: Government Programmes Small Enterprise Education Programmes

Name	Description
Department of Trade & Industry (DTI)	Government initiatives, facilitated by the DTI and associated organisations, include the Centre for Small enterprise Promotion (CSBP), Netsuke Enterprise Promotion Agency and Khula Enterprise Finance. The CSBP implements and administers the aims of the national strategy, which includes job creation. The DTI has recently signed an agreement with the European Union, which will see the EU donating R550m to start a risk capital fund for SMMEs.
Associates,	
Industrial Development Corporation (IDC)	The Industrial Development Corporation (IDC) and the European Investment Bank will administer the fund, and 90 enterprises will benefit. The IDC allocates 75% of new business loans to SMMEs. The SA Women's Entrepreneur Network was rolled out countrywide in 2002, alongside manufacturing advisory centres in all provinces.
Centre for Small enterprise Promotion (CSBP)	The CSBP implements and administer the aims of the national strategy, which includes job creation.
Small Enterprise Foundation	Non-governmental organisations include the Small Enterprise Foundation, which has a microcredit programme aimed at micro-enterprises, and the Tshomisano credit programme, targeting women.
Ntsika Enterprise Promotion Agency	Ntsika provides non-financial support services to the SMME sector, tackling issues like management development, marketing and business development services. The agency also helps with research and inter-business linkages.
Khula Enterprise Finance	Khula offers financial support mechanisms to the sector. The financial products include loans, the national credit guarantee system, grants and institutional capacity building. Khula has also launched its own micro-lending scheme, KhulaStart, an

	<p>entry-level programme that provides loans to first-time borrowers in the survivalist sub-component of the SMME sector. The organisation has recently launched the Khula Technology Transfer Fund to facilitate access to local and international technology. In addition, a new fund is being set up to serve businesses in Gauteng, North West Province and the Free State. A similar fund already exists for businesses in the Northern, Eastern and Western Cape, as well as in Mpumalanga, Limpopo and KwaZulu-Natal.</p>
<p>BRAIN</p>	<p>The DTI has launched a comprehensive online initiative known as BRAIN (Business Referral and Information Network), offering basic information and essential service links to entrepreneurs. The BRAIN website includes information about the government's incentives and SMME support agencies, as well as links to business centres throughout the country.</p>
<p>FRAIN</p>	<p>FRAIN The Franchise Advice and Information Network (FRAIN) strives to supply high quality information and support services to individuals and small enterprise (SMMEs) to ensure growth and improvement of new and existing franchise businesses in South Africa. FRAIN is a support project of the DTI. Namac (National Co-ordinating Office for Manufacturing Advisory Centres) implements it, with assistance from the Council for Scientific and Industrial Research (CSIR).</p>
<p>NAMAC Trust</p>	<p>Namac Trust The National Co-ordinating Office for Manufacturing Advisory Centres (Namac) is an SMME support agency within the DTI. It is widely recognised as one of the most successful SMME development and support agencies in South Africa. Namac has developed an extensive delivery structure across South Africa that serves as a channel for the application of new tools, information, products and projects, thus enabling the effective delivery of solutions aimed at SMMEs. The emphasis is on Historically Disadvantaged Individuals' (HDI) businesses.</p>
<p>Business Partners Limited</p>	<p>In 1998, the Small enterprise Development Corporation (SBDC) was transformed into Business Partners Limited. The</p>

organisation shifted its focus onto small and medium enterprises, increasing its project involvement to a R150 000 minimum and an R15-million maximum. Business Partners set aside R277.7-million for investment in SMMEs last year. The organisation has invested R4.6-billion in emerging businesses in the past 20 years, directly influencing the creation of 500 000 jobs.

Tourism Enterprise Programme

The Tourism Enterprise Programme (TEP) falls within the policy-vehicle of the government's Tourism Action Plan (TAP). As such, it represents a component of a larger and longer-term strategy to both attract and effectively cater for the expected growth in domestic and international tourism. The TEP is funded by the Business Trust and implemented by ECIAfrica. The main objectives of the programme are to encourage and facilitate the growth and expansion of small and medium enterprises in the tourism economy, resulting in job creation and revenue generating opportunities. Primary emphasis is placed on historically disadvantaged entrepreneurs and enterprises. For example, at the World Parks Congress the TEP was instrumental in facilitated deals, which provided employment for its beneficiaries.

Source: (Gauteng Government, 2014)

Appendix 2: Letter of Consent & Small Enterprises Interview Questionnaire

Letter of consent

To whom it may concern,

I am conducting research on optimising strategic partnerships to lower failure rates in small enterprises, and I am trying to find out more about current existing partnerships and constraints limiting future partnerships in the construction industry. Our interview is expected to last about an hour, and will help us understand how small enterprises make use of strategic partnerships. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential. If you have any concerns, please contact my supervisor or I. Our details are provided below.

Researcher:

Mr Christiaan Kriel
christiaan@kbqs.co.za
082 559 4541

Supervisor:

Dr Irfaan A. Khota
irfaan@idc.co.za
011 269 3621

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

Questions – Small Enterprises

1. When did you start your company?
2. Will you classify yourself as a start-up/small/medium business?
3. Is your company registered and when was it registered?
4. Is your company registered with SARS and when was it registered?

5. In what sector of the economy do you operate and how ere you introduced to this sector?
6. Do your company act as main or sub service provider in this sector?
7. Would you say that your company provides a specialised service?
8. What would you say is your major obstacles or constraints in your business sector?
9. How do you overcome these obstacles or constraints?
10. Do you work for a specific client in the private or government sector?
11. Do you have any partnerships or agreements with any of your clients?
12. Do you receive any form of financial, technical, and business assistance from any of your clients?
13. Can you think of any form of assistance your client's provide?
14. What assistance do you need?
15. Does your clients have specific requirements that you should qualify for?
16. Do you have a personal relationship with your clients?
17. What management level does your client contact hold?
18. What are your client's payment terms cash on delivery 30days, 60days, or 120days?
19. How do you finance your business and projects?
20. With how many projects are you currently busy, how many of them are through partnerships?

Appendix 3: Letter of Consent & Large Business Interview Questionnaire

Letter of consent

To whom it may concern,

I am conducting research on optimising strategic partnerships to lower failure rates in small enterprises, and I am trying to find out more about current existing partnerships and constraints limiting future partnerships in the construction industry. Our interview is expected to last about an hour, and will help us understand how small enterprises make use of strategic partnerships. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential. If you have any concerns, please contact my supervisor or I. Our details are provided below.

Researcher:

Mr Christiaan Kriel

christiaan@kbqs.co.za

082 559 4541

Supervisor:

Dr Irfaan A. Khota

irfaan@idc.co.za

011 269 3621

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

Questions – Main Contracting Enterprises

1. Do you make use of services provided by small enterprise enterprises?
2. How do you evaluate businesses before doing business with them?
3. Do you have specific qualifications or requirements businesses should adhere to before doing business?

4. Is it key that companies should be registered, and registered with SARS to conduct business with you?
5. How key is BBBEE for conducting business, and do you require a formal verification by an approved agent?
6. What would you say is the major obstacles or constraints for small enterprises doing business with you?
7. How do these small enterprises overcome these obstacles or constraints?
8. Do you assist small enterprises in overcoming these obstacles or constraints?
9. Do you provide training to businesses or only employees?
10. Is the training provided project related training or business readiness training to be an approved future vendor?
11. Do you provide any technical, financial, or business assistance to small enterprises?
12. Can you think of any other form of assistance you provide to small enterprises?
13. What assistance would you think would be beneficial to small enterprises?
14. Do you have any partnerships or agreements with any small service businesses?

Do you think partnerships with small enterprises would be beneficial for your business?

Appendix 4: Typical Example of Coded Interviews (Small Enterprises)

Interviews Framework						Amanda	Curtis	Joseph	Richard
Small Companies	Number	ANALYSE DATA				1	2	3	4
	Company Name	Categories				Jurisa Building Contractors	Ten Projects	Simon Paster	Africa Building Contractors
Interview	Date	General	Identify Process or Relationship	Identify Risk	Mitigate Risk	20/07/2015 08h00	20/07/2015 10h00	21/07/2015 10h00	22/07/2015 16h00
	Place					K&B Offices	K&B Offices	K&B Offices	Africa Offices
Questions									
5	In what sector of the economy do you operate and how are you introduced to this sector?	general			Mit	building	building	building	building
			relation			My father was a contractor and now I am a contractor. Female black contractor.	My background is education I am a teacher. I was introduced to the construction industry through one of the students I taught at the adult school where I was teaching at that stage. He became my partner we did however part our ways, but that is how I was introduced to the industry.	My father was a building subcontractor and so am I and all my brothers there are 6 of them. We were brought up in an construction environment. We all worked for my father in the early days.	I was always drawn to the construction industry so after school I did my diploma in building. I worked for a couple of contractors until I felt it was time to do my own thing.

Appendix 5: Typical Example of Coded Interviews (Large Businesses)

Large Companies	Company Name	Categories				Superway Construction	Murray & Roberts	Tenet Finance	Group 5
	Interview	General	Identify Process or Relationship	Identify Risk	Mitigate Risk	27/07/2015 10h00	28/07/2015 10h00	28/07/2015 12h00	31/07/2015 08h00
	Place					Superway Offices Pretoria	M&R Offices	TB Offices	G5 Offices
Questions									
4	Is it key that companies must be registered, and registered with SARS to conduct business with you?		process	risk		Yes	Yes	Yes	Yes
5	How key is BBBEE for conducting business, and do you require a formal verification by a approved agent?			risk		Not so important our BEE is strong	BEE is important again depends if it is specialised work	We strive through our policies to maximise BEE subcontractors	BEE is important

Appendix 6: Copyright Declaration Form

Gordon Institute of Business Science

University of Pretoria

COPYRIGHT DECLARATION FORM

Student details			
Surname:		Initials:	
Student number:			
Email:			
Cell :		Landline:	
Course details			
Degree:	MBA	Year completed:	
Department:	GIBS		
Supervisor:			
Supervisor email:			
Confidentiality / Embargo			
Do you need to have your report embargoed? If so, write a letter of motivation to substantiate (please attach letter to this form). Without a letter this will not be granted.			
Yes		No	
If yes, please indicate period requested			
Two years		**Permanent	
**Please attach a copy of the letter of permission from the Vice-Principal: Research and Postgraduate Studies, if indicated, permanent. Without a letter this will not be granted.			
A copy of your research report will be uploaded to UPetd/UPSpace Can the Information Centre add your email address to the UPetd/UPSpace web site?			

Yes		No	
If no, please motivate (ignore if report is to be embargoed)			
Copyright declaration			
<p>I hereby certify that, where appropriate, I have obtained and attached hereto a written permission statement from the owner(s) of each third-party copyrighted matter to be included in my research report (“the work”), allowing distribution as specified below. I certify that the version of the work I submitted is the same as that, which was approved by my examiners and that all the changes to the document, as requested by the examiners, have been included.</p> <p>I understand that all rights with regard to intellectual property in the work vest in the University who has the right to reproduce, distribute and/or publish the work in any manner it may deem fit.</p> <p>I agree that, a hardcopy of the abovementioned work be placed in the Gordon Institute of Business Science Information Centre and worldwide electronic access is given to the softcopy on UPetd and UPSpace.</p>			
Signature:		Date:	

Appendix 7: Ethical Clearance Confirmation Letter

**Gordon Institute
of Business Science**
University of Pretoria

Dear Mr Christiaan Kriel

Protocol Number: **Temp2015-01417**

Title: **Optimising strategic partnership to lower failure rates in small enterprises in South Africa – a Construction industry perspective**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

GIBS Ethics Administrator

Appendix 8: Turnitin Report

Please take note that all references and appendices from this reports was omitted from the last Turnitin (originality report) submission on 08 November 2015. The similarity index were 19% before omission and is 11% without the relevant omission. Hope this is order.

Thesis Final

by Christiaan Kriel

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**Gordon Institute
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University of Pretoria

**Optimising Strategic Partnerships to Lower Failure
Rates in Small Enterprises in South Africa – A
Construction Industry Perspective**

Christiaan Kriel
Student No: 95111159

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

09 November 2015

Abstract

This study explores how the public and private sectors should cooperate and mutually assist small enterprises to succeed. Optimising strategic partnerships has heightened in importance in order to lower failure rates under small enterprises in South Africa. The South African government has launched a programme to encourage private sector to co-join forces to support incubators that are able to develop small enterprises. This study focuses specifically on small enterprises in the construction industry.

This research study sets out to investigate three major approaches to lower failure rates under small enterprises in the construction industry. Firstly the research identifies relevant processes and relationships cited in the literature. The research seeks to mitigate and identify the risk implications of these recognised processes and relationships, and to construct solutions to lower failure rates in small enterprises.

This study identified that standard construction industry processes and relationship bonds between small enterprises; large construction entities and government, influence and affect strategic partnerships. Ineffective processes and relationships complicate the small enterprise environment, which leads to increased failure rates. The study identified the need for further study in the future that could identify major risks and influencers impacting on processes and relationships. Key elements identified, should be applied to lower failure rates. The risk solutions approach should be to identify, categorised, and mitigate risk, which should be implemented to lower failure rates.

A qualitative study design was adopted to identify processes and relationships. Data was collected from twenty small enterprises and five large corporations within the construction industry in South Africa. Data was collected through semi-structured interviews. An Optimising Strategic Partnership Model derived from the consolidated input that could be applied to identify, categorise, mitigate, and solve processes and relationships needs and assistance required by small enterprises.

ii

Thesis Final

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