

The perceived role of human capital in wholesaling SMEs: A petroleum industry
perspective

By

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ABSTRACT

Small and medium sized enterprises (SMEs) are recognised across the world as having the ability to drive the economy and greatly contribute towards its growth, more so in emerging economies. However, the growth and performance of firms has further been directly linked to the critical development and investment towards its human capital. Even though there is a known importance of human capital development for business growth and competence, little is known about how much SMEs themselves attribute it to the success of their own firm's performance. As such, this study responds to this gap by exploring the perceptions that SMEs hold regarding human capital as a concept and its developmental role in their business success. Establishing which component of human capital is perceived to be important in the founding of the businesses, during its emergent years and for future growth will enable SMEs to better understand the key human capital components and features to harness at the different stages of their business and in the pursuit for competitive advantage. The study will better equip policy makers in their development of interventions they embark on to promote SME competitiveness. The study followed a qualitative research methodology which used in-depth one-on-one interviews with participants in the petroleum industry of South Africa. The study focused on one segment of the petroleum value chain, while still using several subgroups for data triangulation. The results of the study indicated that SMEs perceive knowledge as the most important factor of human capital and rely on it in the founding of their businesses. The study further revealed that SMEs rely predominantly on intangible resources to gain competitive advantage, but are negatively affected by institutional constraints to effectively compete. The study generated a framework that can be used by both SMEs and policy makers to enable the development of human capital and promote SME competitiveness.

Keywords: petroleum sector, human capital, wholesalers, industry knowledge, institutions

DECLARATION

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

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TABLE OF CONTENTS

| | |
|--|-----|
| ABSTRACT..... | ii |
| DECLARATION..... | iii |
| CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM..... | 1 |
| 1.1. Introduction..... | 1 |
| 1.2. Research Purpose | 3 |
| CHAPTER 2: THEORY AND LITERATURE REVIEW | 5 |
| 2.1 Introduction..... | 5 |
| 2.2. Research Study Context: The Petroleum Industry..... | 6 |
| 2.2.1. Overview of Industry..... | 6 |
| 2.3.2. The Business of Wholesaling..... | 9 |
| 2.2. Defining SMEs..... | 11 |
| 2.3. Human Capital Theory..... | 13 |
| 2.3.1. Definition of Human Capital | 14 |
| 2.3.2. Features of Human Capital | 15 |
| 2.3.3. Human Capital and SME Life Stages..... | 16 |
| 2.4. Resource-Based View of the firm | 17 |
| 2.5. Endogenous Growth Theory | 19 |
| 2.5.1. Institutions as drivers of economic growth..... | 20 |
| 2.6. Conclusion..... | 21 |
| CHAPTER 3: RESEARCH QUESTIONS AND OBJECTIVES..... | 24 |
| 3.1 Research Questions | 24 |
| CHAPTER 4: PROPOSED RESEARCH METHODOLOGY AND DESIGN..... | 26 |
| 4.1. Introduction..... | 26 |
| 4.2. Research Methodology and Design | 26 |
| 4.2.1. Rationale for chosen method of research | 26 |
| 4.3. Population..... | 27 |
| 4.4. Sampling Method and Size | 28 |
| 4.5. Unit of analysis..... | 31 |
| 4.6. Data Collection Tool | 31 |
| 4.7. Data Collection..... | 33 |
| 4.8. Data Analysis | 34 |
| 4.9. Data Validity and Reliability..... | 35 |
| 4.10. Research Limitations | 36 |

| | |
|---|----|
| CHAPTER 5: RESULTS..... | 37 |
| 5.1. Introduction..... | 37 |
| 5.2. Description of Sample | 37 |
| 5.3. Presentation of Results | 38 |
| 5.4. Results for Research Question 1..... | 38 |
| 5.4.1. Establishing the importance of human capital investment and the key elements for SMEs | 39 |
| 5.4.2. Approach used to build capacity and develop appropriate skills | 43 |
| 5.4.3. Approach followed for selection and prioritisation of human capital development..... | 48 |
| 5.4.4. Knowledge as a Distinguisher..... | 51 |
| 5.5. Results for Research Question 2..... | 52 |
| 5.5.1. Understanding the perceived foundational human capital needs to start a wholesale firm..... | 52 |
| 5.5.2. Establishing the human capital elements necessary to have competitive advantage..... | 58 |
| 5.5.3. Establish the perceived future factors for firm growth..... | 61 |
| 5.5.4. Developmental role of human capital through business life cycle | 66 |
| 5.6. Results for Research Question 3..... | 66 |
| 5.6.1. To establish the role played by sector institutions in human capital development..... | 67 |
| 5.6.2. To establish whether policy interventions have enabled wholesalers to become competitive | 70 |
| 5.6.3. To establish whether there is a responsibility of sector institutions to play a role in developing human capital | 74 |
| 5.7. Conclusion..... | 79 |
| CHAPTER 6: DISCUSSION OF RESULTS..... | 80 |
| 6.1. Introduction..... | 80 |
| 6.2. Discussion of Results for Research Question 1 | 80 |
| 6.2.1. Deconstructing the concept of human capital | 81 |
| 6.2.2. Approaches for Building Capacity and Developing Skills..... | 83 |
| 6.2.3. Approach in the Selection and Prioritisation of human capital..... | 84 |
| 6.2.4. Conclusive findings for Research Question 1 | 85 |
| 6.3 Discussion of Results for Research Question 2..... | 86 |
| 6.3.1. Foundational components to start & maintain SME firm | 86 |
| 6.3.2. Current components that define Competitive Advantage..... | 88 |
| 6.3.3. Future components to ensure growth | 90 |

| | |
|---|-----|
| 6.3.4. Conclusive Findings for Research Question 2 | 92 |
| 6.4. Discussion of Results for Research Question 3..... | 93 |
| 6.4.1. How Sectoral Institutions have helped develop human capital within wholesaling SMEs | 93 |
| 6.4.2. How Sectoral Institutions have enabled wholesaling SMEs..... | 94 |
| 6.4.3. Future Role of Sectoral Institutions | 95 |
| 6.4.4. Conclusive Findings for Research Question 3 | 96 |
| CHAPTER 7: CONCLUSION AND RECOMMENDATIONS | 97 |
| 7.1. Introduction..... | 97 |
| 7.2. Principle Findings..... | 97 |
| 7.3. Theoretical and Practical Contributions of the study | 97 |
| 7.4. Proposed Framework for SME enablement | 99 |
| 7.5. Recommendations for wholesaling SMEs | 100 |
| 7.6. Recommendations for Industry Institutions | 101 |
| 7.7. Recommendations for Future Research..... | 101 |
| 7.8. Research Limitations..... | 101 |
| 7.9. Conclusion..... | 102 |
| REFERENCES | 104 |
| APPENDICES | 113 |
| Appendix 1: Ethical Clearance | 113 |
| Appendix 2: Invitation to Participate in Research Study | 114 |
| Appendix 3: Letter of Informed Consent..... | 115 |
| Appendix 4: Consistency Matrix..... | 116 |

LIST OF TABLES

| | |
|---|----|
| Table 1: Fuel production in South Africa | 7 |
| Table 2: Definition of SME by size and sector of operation..... | 12 |
| Table 3: Summary of Chosen Sample | 30 |
| Table 4: Research Questions and Interview Question Mapping | 32 |
| Table 5: Summary of chosen sample..... | 38 |
| Table 6: Most important factor in human capital..... | 41 |
| Table 7: Approach for capacity building | 47 |
| Table 8: Selection & Prioritisation of human capital | 51 |
| Table 9: Comparison of top 2 ranked for each interview question | 51 |
| Table 10: Foundational components to start & maintain a wholesaling SME | 57 |
| Table 11: Current components that define competitive advantage..... | 61 |
| Table 12: Future needs for firm growth | 65 |
| Table 13: Sectoral Institutions contribution in developing human capital..... | 70 |
| Table 14: Sectoral Institutions enablement for competitive advantage..... | 74 |
| Table 15: Future role for sectoral institutions | 78 |
| Table 16: Consolidation of key themes from RQ1, RQ & RQ3 | 79 |

LIST OF FIGURES

| | |
|---|----|
| Figure 1 Regulatory bodies in the petroleum value chain..... | 9 |
| Figure 2 Petroleum Product Distribution sourced from Paelo et al, 2014 | 10 |
| Figure 3 Proposed Framework for SME human capital development and competitive advantage | 99 |

CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

1.1. Introduction

Asgary, Ozdemir & Özyürek (2020), Muriithi (2017) and Sitharam & Hoque (2016) recognise Small and Medium-sized Enterprises (SMEs) as playing a critical role in the creation of jobs and in the direct performance of economies, particularly in emerging economies. This is also supported by the study undertaken by Ipinnaiye, Dineen & Lenihan (2017) which argues that although SMEs stimulate innovation, create jobs and promote entrepreneurship, they remain grossly underestimated. This is further agreed upon by the writing from Gherghina, Botezatu, Hosszu & Simionescu (2020) which states that SMEs are critical for the development of local economies.

According to Pelinescu (2015), SME businesses are regarded as having the ability to drive the economy and greatly contribute towards its growth. Burvill (2018) postulates that it is high-growth small firms that possess the ability to make the greatest contribution. SMEs account for approximately 99% of all firms across the OECD countries, contributing a value-add of up to 60% (OECD, 2019). Similarly in South Africa, formal SMEs make up close to 98,5% of all firms in the South African economy (Small Business Institute, 2019). However, according to the OECD, even though SMEs have shown the ability to drive job growth, there remains a lack of investment in skills development and a minimal capacity to be able to manage the skills and innovation assets required (OECD, 2019). A critical part of a firm's performance has been attributed to attaining competitive advantage through the training and development of its workers (Ipinnaiye et al., 2017).

Furthermore, despite the known importance of human capital development for business growth and competence, little is known about how much SMEs themselves attribute it to the success of their own firm's performance (Muda & Rahman, 2016). Hsu & Chen (2019) also point out that understanding the relevant elements within firms to sustain competitive advantage is often underrated. This was also Krasniqi & Mustafa's (2016) analogy which highlighted internal firm factors affecting growth, mainly in industries where product differentiation is limited.

The petroleum industry, also referred to as the liquid fuels industry, is one such industry, particularly at the wholesale level of the value chain, where firms are essentially trading the same products. Globally, liquid fuels, as a source of energy, are considered to be at the heart of development as these power the transportation of goods, delivery of services and power businesses and manufacturers alike (Ratshomo, 2019). In South Africa, liquid fuels continue to be the centre of social and economic development and are instrumental in stimulating the economy of the country (Ratshomo, 2019). The industry accounts for approximately R405 billion in turnover and contributes 8.5% to national GDP (SAPIA, 2018).

In South Africa, the industry's key imperative has always been to ensure security of product supply, more so prior to 1994, when the country was experiencing sanctions because of Apartheid (Paelo, Robb & Vilakazi, 2017). Due to the strategic nature of the petroleum industry, as providers of input (petroleum products) into other productive sectors of the economy, it has received substantial subsidies from government to ensure security of supply of petroleum product and "government created a protected environment for the few players to grow and develop considerable market power" (Nair, Mondliwa & Roberts, 2017, p.14). This resulted in an industry occupied by a few large multinational oil companies with vertical integration from the upstream activities of refining, to the downstream activities of marketing and wholesaling petroleum product to end users (Paelo et al., 2017).

The entry and growth of independent wholesalers is of particular significance, because within the entire value chain, distribution and wholesaling activities have the lowest level of capital requirements for entry (Paelo et al., 2017). Despite this, the industry has seen limited growth and competitiveness of wholesaling SMEs. In a study on the barriers to entry into the petroleum industry, it was found that less than 10% of the operating wholesale licences issued are being utilised effectively to operate within the industry (Paelo et al., 2017). As such, SMEs in the wholesale segment of the industry have increasingly become operation licence holders rather than achieving visible economic growth (Makiva, Ile & Fagbadebo, 2019).

Whilst there have been many studies on the determinants of economic growth and success regarding SMEs (Gherghina et al., 2020; Ipinnaiye et al., 2017; Sitharam &

Hoque, 2016), few have explored the perceptions relating to what SMEs themselves attribute to success (Muda & Rahman, 2016) and the key components within human capital that are relied on (Rangongo & Ngwakwe, 2019). Furthermore, the effects of SME growth as a result of institutional environment has largely been assessed on a macro level, limiting the exploration of how sector institutions may constrain or enable SMEs (Eijdenberg, Thompson, Verduijn & Essers, 2019; Uddin, Ali & Masih, 2020).

1.2. Research Purpose

The purpose of this research is to explore the perception of the role that human capital plays in the economic success of SMEs in the petroleum wholesale industry and the importance attributed to it. The research will further explore the different elements of human capital that are depended upon at the different life stages of the SME business cycle. In addition to this, the study explores the role that institutions play in the enablement of SMEs.

Many studies have been conducted on SMEs; on how they play a critical role in the development of the economy (Mubarik et al., 2018; Muda & Rahman, 2016), including on the value of SMEs investing in the development of human capital (Onkelinx, Manolova & Edelman, 2016; Pelinescu, 2015). Other studies have considered the various components that can result in SME competitive advantage (Ferreira & Franco, 2019), and looked at the quantification of the aspects of human capital that can result in their competitive advantage (Mubarik et al., 2018). Lenihan, McGuirk & Murphy (2019) investigated public policy initiatives to address various aspects of human capital, while Krasniqi & Mustafa (2016) studied the role of institutional quality and how it can affect SME growth. In the study undertaken by Uddin et al (2020), the critical role played by institutions in developing countries was highlighted.

There has however, been limited research that explored the perceptions of the SMEs themselves on the topic of human capital and the importance given to it in the pursuit of the economic success of their firms. In the South African petroleum industry in particular, there have been limited studies that focused on the wholesaling SMEs and the efficacy of industry institutions on the development of human capital and

enablement of wholesaling SMEs. Studies that looked at the wholesaling segment of the petroleum industry focused on the barriers to entry into the industry (Banda, Robb, Roberts & Vilakazi, 2016; Mokoena & Lloyd, 2005; Paelo, Robb & Vilakazi, 2014). This study will contribute to the existing body of literature on understanding the role that human capital plays in SME economic success with a particular focus on the wholesaling segment of the petroleum industry.

The paper is structured in the following manner; a broad literature review which unpacks the human capital theory and supporting relevant theories. The research problem will then be assessed under the lens provided through the literature review, which is followed by an outline of the justification of research methodology and design applied. Following on to the research methodology is a discussion of the results and findings. The final section is the conclusion by the researcher. The paper also includes supporting appendices.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction

The continued advancement of the world knowledge economy is necessitating the need for firms and industries across the globe to embed themselves in the necessary capital to enable competitiveness and ensure sustainable economic growth. Economic growth is defined as the increase in the value of a nation's production over time (Cvetanović, Mitrović & Jurakić, 2020). In recent times, driven by the knowledge economy, human capital has warranted its importance through the influence it is perceived to have on business performance and economic growth. Human capital is considered to be an intangible resource to business and a crucial element for firm performance (Muda & Rahman, 2016). As an intangible resource, human capital is expected to transform information into valuable knowledge to support the firm (Muda & Rahman, 2016).

According to Rangongo & Ngwakwe (2019), the creation and availability of stock of human capital is the difference between countries attaining high or low economic growth. This, as expressed by Roufagalas & Orlov (2020), is the reason why the understanding of the sources of economic growth have been a long-standing goal of economists. The earliest neoclassical model by Solow underpinned a considerable amount of work in the field of economics (Tavani & Zamparelli, 2017) and the model has been expanded to take into account the different parameters of production of human capital and technology across countries (Roufagalas & Orlov, 2020).

In the context of developing countries, endogenous growth theory has been used to understand the prediction on the dependence of economic growth on internal factors (Ugwunta & Ugwuanyi, 2015). The theory posited that policy measures that had implications on change, competition and openness, affected an economy's growth in the long run (Ugwunta & Ugwuanyi, 2015). It emphasised the role public policy played in promoting economic growth (Cvetanović et al., 2020). In particular, the theory made reference to the enhancement of a nation's human capital as being key to the development of an effective and efficient means of production for sustainable growth of the economy through the growth of its firms (Ugwunta & Ugwuanyi, 2015).

Economic activity across the world has experienced substantial changes with the shift from the dominance of large companies to the emergence of SMEs as competitors, which have taken a leading role in both the social and economic growth of a country (Suroso & Anggraeni, 2017). In this regard, SMEs globally, have been recognised as playing a critical role in the development of any economy. Mubarik et al (2018) and Pelinescu (2015) postulate that if small businesses invest in human capital, it would add value to their businesses and result in the prospering of the business despite a changing environment. This is also the view of Onkelinx et al (2016) who argue that developing firm level capabilities within SMEs relies on investments being made into its human capital. Muda & Rahman (2016) encourages management of firms to provide training of employees, if the firm is to make any performance gains. However, Irwin, Landay, Aaron, McDowell, Marino & Geho (2018), contend that human capital could still be limited in creating competitive advantage, particularly for SMEs.

The investment in the development of human capital has become a central area of focus and a critical element in the pursuit of firms and SME competitive advantage (Gherghina et al., 2020; Ipinnaiye et al., 2017; Suroso & Anggraeni, 2017). This study aims to contribute to the human capital and SME growth literature by exploring the perceived importance of developing the various elements considered within the definition of human capital, and in so doing, critically investigating what key component is largely relied on by the SMEs themselves in the founding of their firms, during the growth period and what they perceive would be critical in terms of future development to sustain competitive advantage. The study further explores the linkage between the role played by the institutions in the industry on the development of human capital and whether institutions and human capital have a complementary effect on wholesalers' economic success (Aslam, 2020).

2.2. Research Study Context: The Petroleum Industry

2.2.1. Overview of Industry

The research for this study was undertaken under the lens of the petroleum industry in South Africa, particularly the wholesale segment of the industry, which, despite having the lowest level of capital requirements for entry, has seen a limited growth

of SME competitive advantage (Paelo et al., 2017). As articulated by Makiva et al (2019), SMEs in the wholesale segment of the industry have increasingly become operation licence holders rather than achieving visible economic growth.

The petroleum industry in South Africa consists of various activities and can be divided into the upstream and downstream activities. The upstream part of the value chain involves refining of the inputs to yield liquid fuels (e.g. diesel, petrol, illuminating paraffin and LPG) and chemicals which make up the by-products and co-products of the petroleum refining process. The upstream part of the value chain is made up of oil refineries owned by international oil companies and two synthetic fuel producers as depicted in Table 1.(Mondliwa & Roberts, 2014).

Table 1

Fuel production in South Africa adapted from Mondliwa & Roberts, 2014

| Fuel production facility | Input | Owner | Capacity [barrels per day] | Location |
|------------------------------------|--------------|--|-----------------------------------|-----------------|
| Sapref | Crude | BP (50%) | 90 000 | Durban |
| | | Shell (50%) | 90 000 | |
| Enref | Crude | Engen | 125 000 | Durban |
| Natref | Crude | Sasol Oil (64%) | 69 120 | Sasolburg |
| | | Total SA (36%) | 38 880 | |
| Astron Energy (previously Chevref) | Crude | Astron Energy (previously Chevron, which trades as Caltex) | 100 000 | Cape Town |
| Synfuels | Coal & Gas | Sasol Oil | 150 00 | Secunda |
| PetroSA | Gas | State-Owned | 45 000 | Mossel Bay |

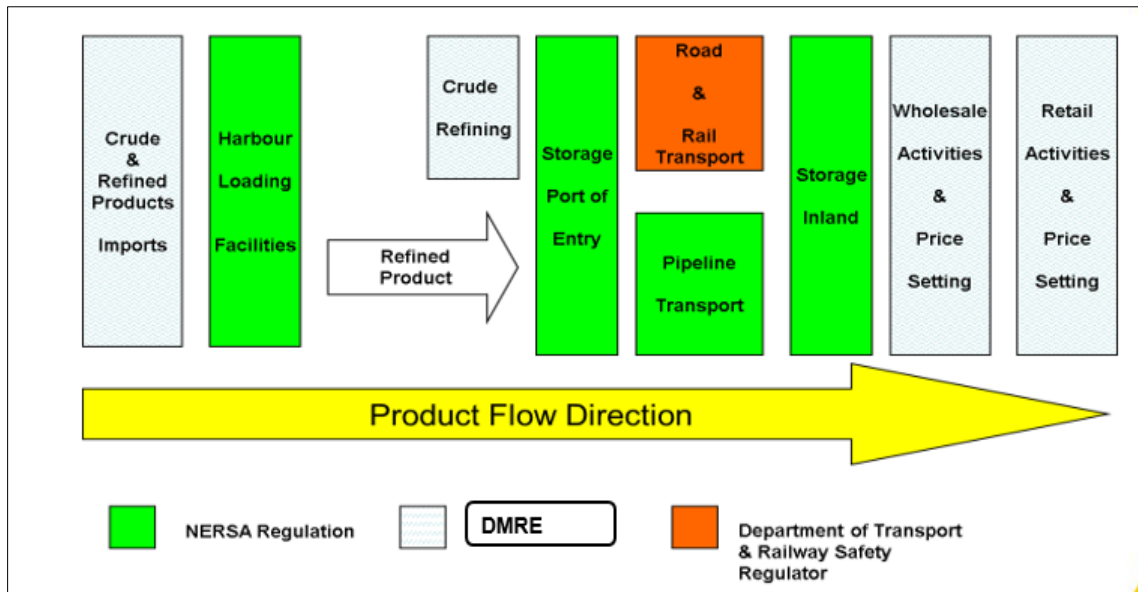
The petroleum industry is considered to be strategic due to the impact it has on the wider consumers (Mondliwa & Roberts, 2014) and has benefited from investment, support and protection by the apartheid government when the country was faced with multiple sanctions in the years before democracy (Paelo et al., 2017). The protection and favourable policy over the years, resulted in the growth of a few large companies that have integrated vertically down the value chain (Mondliwa & Roberts, 2014), effectively suppressing SME wholesalers.

Within the petroleum industry in South Africa, there are two main formal institutions that regulate the industry; the Department of Mineral Resources and Energy (DMRE) and the National Energy Regulator of South Africa (NERSA) (Paelo et al., 2017). The DMRE's mandate is to transform the economic growth agenda of South Africa "through the sustainable development of the mining and energy sectors" (Department of Mineral Resources and Energy, 2020, para. 1). The DMRE sets various price levels for petroleum products and further issues licences for the operation of petroleum activities which include manufacturing, wholesaling and retailing (Mondliwa & Roberts, 2014).

NERSA also issues licences for petroleum infrastructure (i.e. petroleum pipelines, depots and marine loading) and further sets tariffs for the pipelines and approves tariffs for the storage (depots) and marine loading facilities (Petroleum Pipelines Act no 60 of 2003, 2003). The primary legislation of NERSA allows the regulator to compel licence operators of pipelines, loading facilities and storage facilities to allow third parties to access these facilities if there is unutilised capacity available (Paelo et al., 2017). The figure below shows a graphical presentation of the different segments that each body regulates.

Figure 1

Regulatory bodies in the petroleum value chain



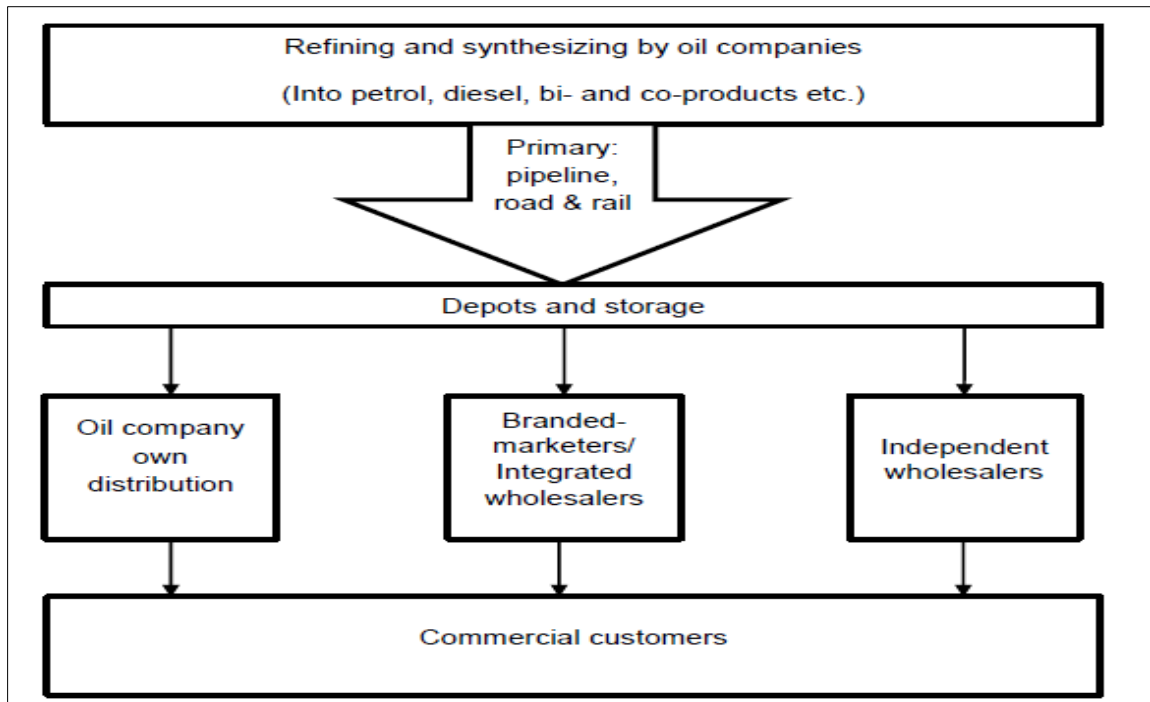
There are five main features to downstream liquid fuels regulation in South Africa namely: licensing, export/import control, fuel quality standards, infrastructure tariff setting and price administration. Each of these features is important in investment decision-making and the ultimate price that the consumer pays. Incentivising investment and ensuring internationally competitive pricing are two objectives that the regulators need to continuously be balancing (Mondliwa & Roberts, 2014).

2.3.2. The Business of Wholesaling

The value chain of the petroleum industry in South Africa is reliant on the activities at the upstream level that is run by the oil majors, who have downstream activities as well (Paelo et al., 2017). The oil majors control the supply of fuel through the use of branded wholesalers and retailers to the final consumer through the use of pipelines, road and rail trucks to terminals and depots throughout the country, as depicted in Figure 2 (Paelo et al., 2014).

Figure 2

Petroleum Product Distribution sourced from Paelo et al, 2014



Once fuel is transported to depots and storage facilities around the country, it is distributed to different customers via three channels as follows: own distribution by oil majors; branded marketers and through the independent wholesalers (Paelo et al., 2014).

Distribution by oil majors – distribution by the oil majors is done either through road, rail or pipelines and is largely carried from their terminals or manufacturing sites to other secondary storage inland. From this secondary storage, the oil majors further distribute to wholesale customers, in agriculture or mining, and to their branded fuel stations (Paelo et al., 2014).

Branded Marketers – branded or integrated wholesalers are basically an extension of the oil majors. They distribute using the brand name of the oil major they are contracted to and are service regions that the oil majors would typically consider to be outside their core market. Contractually, these branded marketers can only distribute in the regions they are assigned to by the oil major (Paelo et al., 2014). Even though they are privately owned wholesaling companies, the structure of their contracts only allows them to purchase all their product from that particular oil major.

The majority of these branded marketers have worked within the petroleum industry for years, establishing relationships with the oil majors and usually get first preference when oil majors disinvest in semi-urban and rural areas, which is usually their incentive for starting their wholesaling businesses, as they are given preferential access to product and a customer base. The advantage of being a branded marketer is that they get priority in terms of product supply over the non-branded wholesalers (Paolo et al., 2014).

The Independent Wholesalers – Due to the nature of the petroleum industry structure, even the independent wholesalers rely on the oil majors for product supply, however, the product is branded in their name and not the oil majors'. These wholesalers will typically get into a supply contract relating just to volumes of product supplied. Depending on the volumes a wholesaler requires, they may be able to purchase directly from the oil major or if the volumes they require do not meet the minimum volume slug, they can purchase from other bigger and established wholesalers. The advantage of this setup is that the wholesaler has flexibility to buy product from any of the oil majors or other wholesalers and even change suppliers when they are not satisfied because they are not typically in long term agreements (Paolo et al., 2014). However, in times of product shortages, they are usually negatively affected as the last in line to get product. The majority of the wholesaling SMEs find themselves in this category.

2.2. Defining SMEs

There is no precise definition of SMEs but despite the lack of uniformity, SMEs are generally named through the use of adjectives specifying size, which are normally classed according to quantitative indicators (Zafar & Mustafa, 2017). According to Pula & Berisha (2015), the variances of SME definition extends to three areas: international institutions definition, national law definition and industry specific definition. Although others argue that qualitative elements should be considered on what constitutes an SME (Muda & Rahman, 2016), the definition of SMEs varies across countries but the most common measure lies in its size, structure and revenue (Suroso & Anggraeni, 2017).

In South Africa, an SME encompasses firms that are informal and non-VAT registered and those that are formally registered (Department of Trade and Industry, 2008), but are typically defined according to the number of employees and the companies' annual revenue. Effective from 15 March 2019, the new definition of a small enterprise, as amended in the National Small Enterprise Act, 1996 (Act No. 102 of 1996), read with the National Enterprise Amendment Act, 2003 (Act No. 26 of 2003) and the National Small Enterprises Act, 2004 (Act No. 29 of 2004), has been revised with the new sector threshold for the definition of an SME as depicted in Table 2 (Department of Small Business Development, 2019) . Table 2, however, only reflects the sector of interest for this particular study, which was wholesale sector.

Table 2

Definition of SME by size and sector of operation

| Sector or subsector in accordance with the Standard Industrial Classification | Size or class of enterprise | Total full-time equivalent of paid employees | Total annual turnover (Zar) |
|---|-----------------------------|--|-----------------------------|
| Wholesale | Medium | 51-250 | ≤ 220 million |
| | Small | 11-50 | ≤ 80 million |
| | Micro | 0-10 | ≤ 20 million |

Even though these thresholds provide an objective criterion, it is important to note the limitations they pose as a result of generalising across sectors (Pula & Berisha, 2015). This is especially the case for wholesale in the South African context. A petroleum wholesale SME may have peculiarities over annual turnover that an agricultural wholesale SME may not have, such as the fact that in petroleum the product price is regulated with margins capped specific to geographical location, which may not be the case for an agricultural wholesaler.

In South Africa, the government has recognised the contribution of SMEs to national GDP and their contribution towards the creation of jobs (DTi, 2008). This recognition by government of the importance of SMEs resulted in the establishment in 2014 of a

new Ministry representing Small Business Development, aimed at facilitating development and promotion of small businesses (Small Enterprises Development Agency, 2016). In line with the strategy for increasing support for SMEs both financially and non-financially, and in creating a demand for SME products while reducing regulatory constraints, government has established several institutions to drive the development of such SMEs (SEDA, 2016).

Given the recognition attributed to SMEs on economic growth of nations and firms alike (Muda & Rahman, 2016), it is not surprising that governments and public policy have made provision for and initiated programmes that support SMEs both financially and in a non-financial manner (Lenihan et al., 2019). As highlighted by Muda & Rahman (2016), the failure of SMEs particularly in developing economies is attributed to the lack of skills and experience, poor access to finance and insufficient access to information of the industries they operate in.

2.3. Human Capital Theory

The foundation of human capital theory is embedded in the notion that economic benefits and value are derived from investments that are made in individuals or societies (Sweetland, 1996). Cañibano & Potts (2019) postulate that the metaphor of regarding human beings as capital as one would a firm's capital stock, shows the rationality of the intended level for which any firm or nation chooses to have its human capital. This translates to the notion that firms or nations compete on the basis of the accumulation of their human capital and similarly induced investment therein because of the anticipated economic benefit and outcome.

The introduction of human capital as a concept is said to date back to work done by Adam Smith which was documented in his book, *Wealth of Nations*, published in 1776 (Aliu & Aigbavboa, 2019). Smith's view was that training and education were essential components of human capital within any society. Centuries later, the concept of human capital was made prominent through studies undertaken by (Mincer, 1958), (Schultz, 1961) and (Becker, 1962). All three researchers put an emphasis on the investment of human capital as activities involving on-the-job experience, training and education (Mubarik et al., 2018). Throughout the theory, investment in education has emerged as the key indicator of human capital

investment (Sweetland, 1996) but Cañibano & Potts (2019) made a distinction of the different types of education to mean formalised education through schooling, informal that would be instilled at home, experiential training and specialised higher level training, which all brought diverse benefits.

2.3.1. Definition of Human Capital

Human capital is defined as the acquirement of skills, knowledge and abilities by a country's human resources, which is done through training, education and through experience (Muda et al., 2016). Ferreira & Franco (2019) define human capital as the knowledge that is generated and kept within a firms' employees. This definition resonates with Aliu & Aigbavboa (2019) who define it as the combination of education, work competence, knowledge and include psychometric evaluation. On the same note, Mubarik et al (2018) expresses it as the accumulation of competencies that yield economic value, but that defining it should also focus on the fundamental value of employees.

Muda & Rahman (2016), categorise human capital in three ways: As Capacity and Potential which talks to an individual's attitude, experience, level of education, professional skills and ability to evolve; Motivation and Commitment which talks to the alignment of an individual's interests with that of the firm; and Innovation and Learning which shows the openness and acceptance of change of the individual. Likewise, Mubarik et al (2018) highlight as main constituents of human capital, creativity, personal experience and professional knowledge.

Knowledge is symbolised as human capital and is regarded as an outcome of investment in education and skills of workers (Cañibano & Potts, 2019). However, Lenihan et al (2019) posit that knowledge does not entirely capture the field of human capital, as it lacks the expansion into the value brought by human attributes, such as creativity, resilience and other personality traits relevant to job performance of individuals within firms. However, Aliu & Aigbavboa (2019) argue that the emphasis relating to knowledge and learning is critical as there are no replacements for both components.

2.3.2. Features of Human Capital

Despite the many variations of the definition of human capital, there are several features that are found to be consistent in the majority of the studies that explore the human capital construct. These features are: Knowledges and Skills (Cañibano & Potts, 2019); Creativity and Innovation (Lenihan et al., 2019); Competitive Advantage (Coff & Raffiee, 2015) and Increased Customer/Employee Satisfaction from the organisation (Aliu & Aigbavboa, 2019) .

Knowledge & Skills

Training is considered to be the main instrument that fosters the development of skills and enhances employee productivity (Aliu & Aigbavboa, 2019). Knowledge on the other hand is said to be created and stimulated through human resources (Cañibano & Potts, 2019). Because knowledge is considered to be highly individualistic, it is important for organisations to focus on knowledge-sharing activities which result in the contribution of improvement on decision-making, better coordination and the ability to innovate (Allameh, 2018).

Creativity and Innovation

This feature of innovation is theorised to be a driving force in the development and growth of the economy (Allameh, 2018), and as such organisations are encouraged to seek ways in which they align themselves to have internal environments that encourage innovation and creativity (Aliu & Aigbavboa, 2019).

Competitive Advantage

It is argued that for firms to realise competitive advantage, there needs to be a distinction from their competitors (Coff & Raffiee, 2015), and this is achieved by acquiring a better skilled workforce and more knowledgeable employees (Aliu & Aigbavboa, 2019).

Increased Customer Satisfaction

This feature is considered to be an outcome of the behaviours of employees and qualities such as competence, attitude and high service delivery and which positively influence customers which leads to loyalty from the customers and therefore increases financial value towards the firm (Aliu & Aigbavboa, 2019).

2.3.3. Human Capital and SME Life Stages

Human capital indirectly affects the performance of a business through process capital and innovation capital (Muda & Rahman, 2016). It is pronounced as the main construct that controls the extent to which firms attain and sustain profitability (Aliu & Aigbavboa, 2019). In fact, Ferreira & Franco (2019) make the observation that for SMEs to become innovative, there has to be, as a first basis, investment in human capital and they further argue that human capital is the most critical resource within organisations. In agreement and with a further extension Aslam (2020), argues that the most important component of the development of human capital is on-the-job experience, which is said to be an essential part of technological progress and the development of the economy.

SMEs are continuously challenged throughout their business life cycle by various aspects, which requires the business to possess a combination of experiences and related education to continue to perform despite these trials (Muda & Rahman, 2016). As the SME grows, it faces a myriad of factors and changes in the operating environment that warrant a difference in the manner in which it is run. As such, the human capital requirements must meet the expected performance at the different stages of a business. Ferreira & Franco (2019) add that particularly with the increase of knowledge-based economies and industries, human capital is one of the components that ensures a sustained competitive advantage of SMEs and a way to overcome their scalability weaknesses. The study by Mubarik et al (2018), identifies work-related experience as a core dimension of human capital within SMEs for competitive advantage. Suroso & Anggraeni (2017) contend that the success of an SME lies in the role that the founder of the business plays in the firm.

According to Muda & Rahman (2016), it is critical for a firm to identify the different roles of human capital that are required at each life stage; at the conception stage, during the growth stage and when the business reaches maturity. At the conception stage of a business, firms often have limited financial resources and rely to a large extent on supervision by the founder and their role within the firm (Ipinnaiye et al., 2017; Sitharam & Hoque, 2016). As such, the initial success of the firm depends on the elements of human capital that the founder may possess (Mubarik et al., 2018). The experience of the owner within the related business activity is said to provide

advantages in the establishment of a customer base and building relationships, including with financial institutions, while an owner that has quit his formal employment to venture into that business direction has the crucial motivation to ensure that the business grows and survives (Muda & Rahman, 2016). When the business enters its growth stage, it is expected that to sufficiently penetrate its targeted market, the managing leaders within the firm must have skills relating to operations, finance and strategic planning, ensuring the effective management of other resources with the firm (Muda & Rahman, 2016). In the maturity phase of the firm, it is expected that the human capital role is no longer critical as the firm has stabilised and created an accumulation of human capital in its growth stage (Muda & Rahman, 2016).

2.4. Resource-Based View of the firm

The theory of firm growth put forward by Penrose (1956), argued that for a firm to attain any expansion, there had to be both knowledge and resources available within the firm. Penrose's view of firm growth directly influenced and contributed to the modern resource-based view perspective (Krasniqi & Mustafa, 2016). According to Penrose, knowledge for the firm could be accumulated by either using the existing and current knowledge already possessed more efficiently or through making use of external sources, whilst ensuring that there was transfer of that knowledge to internal resources (Penrose, 1956). However, Burvill (2018) further highlighted the internal limitations that could stifle the growth of the firm, such as resources that were unused or the lack of flexibility to manage the existing resources

Delery & Roumpi (2017) highlight that the speed at which a firm grows is based on the firms' ability to utilise its own resources, which further supports Penrose's view that places the achievable results of a firm as a reflection of managements' capability to utilise its resources. Shibin et al., (2020), states that these resources can be either tangible or intangible, but provide the firm with a strength or weakness when used. Burvill (2018), however, notes that it is in fact the intangible resources that have become central in growing competitiveness within the knowledge-based economy. Therefore, as more resources are acquired by the firm, competitive advantage is

gained through the combination of the use of the resource-base (Krasniqi & Mustafa, 2016).

Krasniqi & Mustafa (2016), argue that even if firms are pursuing business activities in the same industry and making use of similar technologies and people, their level of output and resultant success can be different. This is attributed to the combination of the different roles distributed within the teams and the unique experiences and knowledge brought together (Krasniqi & Mustafa, 2016). Therefore, for firms to compete successfully within their respective industry, the ability of the management to source and combine these resources in a manner that results in value creation and makes it hard for other firms to imitate is crucial (Simao & Franco, 2018).

As cited by Ramon-Jeronimo, Florez-Lopez & Araujo-Pinzon (2019), “it is the synergistic effects generated by their combinations that matter the most” (p. 3). This is also argued by Nagano (2020) that if a firm is able to get resources that are valuable and rare, the duplication from competing firms is limited, resulting in the firm’s ability to exploit more opportunities. This is precisely the focus of the resource-based view of the firm, which outlines the link between distinctive firm resources and sustainable competitive advantage (Onkelinx et al., 2016).

Through the resource-based view, the interplay relating to the resources of the firm in gaining competitive advantage are described (Shibin, Dubey, Gunasekaran, Hazen, Roubaud, Gupta, & Foropon, 2020).The theory places emphasis on a firm developing its own firm-specific resources (Nagano, 2020). Coff & Raffiee (2015) posit that the resource-based view is the most appropriate mechanism to describe the path to gaining competitive advantage by focusing on resources. The same view is shared by Ramon-Jeronimo et al (2019), who suggest that RBV is a fruitful path to enriching understanding or firm capabilities and resources.

To be more explicit, Onkelinx et al (2016) argue that idiosyncratic resources by their nature result in the heterogeneity of a firm which leads to it having competitive advantage, if the firm is able to maintain the surplus created from the exploitation of its valuable resource, and that one such resource is human capital or the intangible resource embedded in individuals. Coff & Raffiee (2015), however, point out that with the resource-based view, capital-based advantages cannot be sustained if

employees exit the firm and transfer valuable knowledge to possibly create a competing firm.

Accordingly, it is argued that when SMEs invest in higher levels of knowledge accumulation, it allows employees to engage in complex and high quality standards which give the firm an increase in resource productivity (Onkelinx et al., 2016). This view as extended by Ferreira & Franco (2019) suggests that because SMEs rely to a large extent on knowledge as their main resource, accumulating quality knowledge can improve their competitiveness

2.5. Endogenous Growth Theory

The literature relating to economic growth and human capital emerged from Solow (1956), which highlighted that capital had a major impact on economic capita output. The proponents of Solow held that economic output was conditioned by the population growth and technology (Rangongo & Ngwakwe, 2019). Following on Solow's work, which virtually implied that institutional policies had no impact on growth, economists in the early 1990's began investigating the internal aspects that would allow for sustainable economic growth with a long term outlook, which resulted in the advancement of the endogenous perspective (Tavani & Zamparelli, 2017). Therefore, the introduction of the endogenous growth theory was not to condemn previous growth models but rather to strengthen the theory through the introduction of endogenous variables like human capital that brought about technological and innovative ways that resulted in economic growth (Rangongo & Ngwakwe, 2019).

Aslam (2020) points out that the historical literature that investigated the wealth of countries points towards institutions as making a significant contribution in the transition of economies. It is on this basis that the theoretical underpinnings of endogenous growth theory, which advocate for the stimulation of growth through internal policies are considered for the study (Ugwunta & Ugwuanyi, 2015). The endogenous growth theory postulates that economic growth is driven primarily by internal factors and not external factors, particularly in the long term, and relies on policy measures undertaken to enhance competition, enable openness and promote innovation (Ugwunta & Ugwuanyi, 2015).

The same view is presented by Rangongo & Ngwakwe (2019) who argue that the growth of the economy is enabled from inside a system, from flows that exist within that system. The theory particularly notes that the improvement of a nation's human capital leads to economic growth through the development of technologies and the efficient means of production (Ugwunta & Ugwuanyi, 2015). The crux of this theory, contends that a country's economic growth depends on its human capital (Rangongo & Ngwakwe, 2019). According to Aslam (2020) institutions reinforce the effect of human capital on the growth of the economy, by providing the necessary conditions to strengthen the development of human capital. Supporters of the endogenous growth theory often make the example of comparing countries pre and post their industrialisation as evidence that economic growth is created from within the economy (Ugwunta & Ugwuanyi, 2015).

In his interpretation of why institutions matter, Aslam (2020), draws the conclusion that institutions could either support or weaken the relationship between growth and human capital and further posits that income growth per capita has a positive relationship with the present level of human capital within the economy. Oluwatobi et al (2016) highlight that previous studies discovered that business founders with high levels of human capital positively influence the innovative levels within the organisation, but that the quality of institutions has a direct influence on innovation output. Roufagalas & Orlov (2020) argue that in relation to economic growth, however, the inflow of new human capital is largely dependent on the existing stocks of human capital within a firm using the basis that others can learn more when they interact with those having a higher skill level. Oluwatobi et al (2016) argue that if the institutional environment enables the generation of human capital capacity, it translates to an attractive human capital pool that attracts investment by foreign investors which culminates in economic growth.

2.5.1. Institutions as drivers of economic growth

According to Cvetanović et al (2020) the role played by institutions in the functionality within society is one of importance, especially the role of increasing economic efficiencies. Institutions are regarded as amongst others, establishments that determine rules of who is authorised to make decisions in certain areas; determine which activities are allowed and determine procedures, rules and regulations to be

followed. Institutions determine the incentive structure of an economy by encouraging third parties, prohibiting some activities and discouraging others (Cvetanović et al., 2020).

The purpose for the creation of institutions is two-fold; the need for cost reductions and the need for efficiency gains. Within their role, institutions should provide rules that are coherent and are predictable for the participants of that industry. Institutions represent normative rules and accordingly consist of both rules and their administrative characteristics. The literature classifies institutions into external and internal, with external institutions representing formal enforcement and rules by the coercion from the government through regulations, constitutions and other state laws. Formal institutions are the institutions that are of interest for this study, particularly those enacted for the administrative monitoring of the petroleum industry in South Africa. According to Cvetanović et al (2020) “formal institutions define the framework within which businesses operate” (p. 116).

Entrepreneurship and the extent to which SMEs can grow has been linked to the specific institutional context where the business activities take place and it has been argued that government or institutional enablement is needed for SMEs to discover their competitive advantage (Hsu & Chen, 2019). It is important therefore to understand how institutions can manage policy to generate capital that builds firm-specific human capital and results in firm-level competitive advantage. The liquid fuels industry is one such industry that is governed by many formal rules and requirements and is regarded as a heavily regulated industry (Crompton, Sing, Filter & Msimango 2020).

2.6. Conclusion

The study of economics reveals that the lack of development of economies has been speculated as being either due to the lack of resources or lack of knowledge and skills to efficiently utilise the available resources (Cvetanović et al., 2020). In developing economies, the alternatives for seeking economic development are increasingly adopting the inward search approach for growth determination (Rangongo & Ngwakwe, 2019). As such, the concept of human capital complimented

by the resource-based view theory and the endogenous growth theory find perfect expression within the South African context since RBV emphasises the development of own firm-specific resources in relation to human capital while the latter explores institutional designs and their effect on parameters of the human capital production (Roufagalas & Orlov, 2020).

Institutions have been said to play a vital role in ensuring the society functions harmoniously and more precisely to increase economic efficiencies (Cvetanović et al., 2020). Statistically, institutions have proven to have a considerably positive impact on growth per capita (Aslam, 2020; Uddin, Ali & Masih, 2020). By providing conducive conditions, institutions reinforce the power human capital can have on economic growth (Aslam, 2020). Oluwatobi et al (2016) assert that for an economy of any country to achieve competitive advantage that is sustainable, there has to be investment in its human capital. It was further revealed that investment in human capital not only fosters growth in innovation, but results in a decline in inequality (Oluwatobi et al., 2016). It is further argued that while inadequate institutional development can hinder industries and firm growth, an institutional environment that is too restrictive can constrain business activities (Eijdenberg et al., 2019).

According to Ndiaye, Abdul Razak, Nagayev & Ng (2018), investing in the specific drivers of SMEs' growth and sustainability are important for emerging countries due to the fact that policy implications play a significant role for governments seeking to enable SMEs to better contribute to a nation's economic development. Policymakers, accordingly can stimulate SME growth beyond the basic measures of business registrations, by enhancing institutional support that would allow them to thrive sustainably (Lenihan et al., 2019).

There have been conclusions drawn that human capital is an important factor that influences economic growth (Pelinescu, 2015; Rangongo & Ngwakwe, 2019). Several studies have also validated the relationship between investment in human capital and economic growth through innovation (Aslam, 2020; Cvetanović et al., 2020; Oluwatobi et al., 2016). Oluwatobi et al. (2016) posited that the creation of human capital coupled with an enabling environment would ultimately translate to long-term economic benefits. However, it was also found that human capital by itself

without improving institutional quality cannot breed substantial economic growth (Aslam, 2020).

Whilst there have been many studies on the determinants of economic growth and success regarding SMEs (Gherghina et al., 2020; Ipinnaiye et al., 2017; Sitharam & Hoque, 2016), there has been limited exploration on the perceptions that can be drawn from the SMEs themselves of the role that human capital development plays in their business success and competitiveness (Rangongo & Ngwakwe, 2019). Furthermore, the effects of SME growth as a result of institutional environment has largely been assessed on a macro level, limiting the exploration of how sector institutions may constrain or enable SMEs (Eijdenberg et al., 2019; Uddin et al., 2020).

This study considered the construct of human capital development and investment through the lens of a resource-based view and endogenous growth theory. It focused on the perceptions drawn from the industry participants and their experience in the pursuit of economic success and growth for their businesses within the regulatory constraints. To develop the argument for this study, the focus was on the petroleum wholesalers and investments made towards the development of their human capital, in the form of knowledge and on-the-job experience, and argued that investment in industry-specific training and experience led to firm performance, which resulted in growth (Onkelinx et al., 2016).

CHAPTER 3: RESEARCH QUESTIONS AND OBJECTIVES

This research aimed to answer three specific research questions. Each of these research questions has been derived from the reviewed literature.

3.1 Research Questions

Each research question was constructed through the comprehensive review of literature across the field of human capital, resource-based view of the firm and endogenous growth theory, and is the consequence of the literature studied for the purpose and scope of this research.

Research Question 1: What is the perceived importance of developing human capital within wholesaling SME's?

This research question aims to explore the perceived importance of investing in an organisation's human capital and to understand whether human capital is considered to be a key driver of the firms' economic success. This research question was guided by a study undertaken by Muda & Rahman (2016) which highlighted the rising complexity of business environments with the increase of the emergence of the knowledge economy and the challenges faced by SMEs in this regard to which the findings of their study recommended that the importance of the role of human capital by SMEs must be further researched and explored. This exploration of the perceptions of human capital development within SMEs is the basis of the research study supported by other relevant key considerations on the topic.

Research Question 2: What is the developmental role of human capital in the economic success of wholesaling SME's in the petroleum sector in South Africa?

This research question seeks to gain insight into the different roles of skills, knowledge and attributes at the different stages of an SME life-cycle and to understand what SMEs perceive as giving their firms competitive advantage. Furthermore, the research question aims to understand whether organisations operating within the same value chain perceive adoption of different human capital requirements for future success. This research question was driven by the study

undertaken by Rangongo & Ngwakwe (2019) which highlighted the importance of an appropriately timed investment in human capital development and further suggested an analysis on the relationship between human capital investment and the growth of an economy.

Research Question 3: How can the efficacy of human capital within institutional constraints be managed to enable wholesaling SME's to achieve economic success?

This research question aims to explore the extent to which institutions play a role in the development of industry specific human capital and examine whether policy interventions have an influence on fostering SME competitive advantage. The intention is to explore the measures taken by sector institutions on the development of sector-specific human capital and will allow for the opportunity to provide tentative suggestions on the influence of human capital and policy intervention on the economic success of SME's for future research. This research question was inspired by the study by Hsu & Chen (2019), in which a link was made on industrial policy and competitive advantage at firm level and a recommendation was made for future studies to consider policy instruments and interventions that can help firms accumulate human capital. Hsu & Chen (2019) also pointed out that understanding the relevant elements within firms to sustain competitive advantage is often underrated.

CHAPTER 4: PROPOSED RESEARCH METHODOLOGY AND DESIGN

4.1. Introduction

This chapter focuses on the methodology of research employed and the rationale behind the chosen design for the study. The literature review discussed in Chapter 2 of this study provides the basis and foundation for the formulation of the interview guide for this study. The study follows a qualitative research technique and exploratory approach and the methodology applied takes into consideration the assumptions and purposes of that particular study (Taylor, Bogdan & DeVault, 2016).

4.2. Research Methodology and Design

4.2.1. Rationale for chosen method of research

The research followed a qualitative approach due to the enquiring nature of the study. Qualitative research is regarded as allowing for the researcher to be able to provide a holistic in-depth reflection of the contextual situation (Staller, 2012). Hennink, Hutter & Bailey (2020) describe qualitative research as an approach that allows one to examine people's experiences in detail and to further identify issues from the perspective of the participants, including their own interpretations of the specific phenomenon. According to Brodsky, Buckingham, Scheibler & Mannarini (2016), an important goal of qualitative methods lies in discovery and the comprehensive description of systems, processes or theories.

The purpose study was to make a contribution within the identified gap in the literature on the perception that SMEs attributed to the developmental role of human capital where little research has previously been conducted. The aim was to gain a broad and deep understanding on the extent to which wholesaling SMEs in the petroleum sector attributed economic success to human capital and the investment therein. Furthermore, the study sought to examine whether sector institutions had a role to play in the advocacy and promotion of sector-specific human capital. As such, the study relied on the perspectives and insights given by the different industry participants and therefore followed a subjective direction. The study was exploratory in nature as the researcher sought to investigate the meaning given to the role that

human capital played by a certain group and the possible relationships inferred (Saunders & Lewis, 2018).

Due to the interpretivism of the study, it did not depend on numerical measurements and allowed the researcher to interpret specific phenomenon (Zikmund, Carr, Griffi & Babin, 2013). To achieve this, an interpretivist research philosophy was adopted with an inductive approach (Zikmund et.al., 2013). The inductive research approach involved the building of theory from analysing data that had already been collected (Saunders & Lewis, 2018). The main basis for following an inductive approach, was because an inductive approach allowed the researcher to build on theory based on the analysis of a particular phenomenon which was suitable for the proposed study as it sought to get reflection from participants of the industry (Creswell & Poth, 2016).

A mono-methodology for the study was used, which focused on a single technique in which data was collected. This allowed a thorough exploration of the chosen topic and provided the necessary depth and detailed insights simulated from each participants' individual experience (Creswell, 2013). For the purpose of gaining new insights and formulating tentative answers to some initial questions, a semi-structured, one-on-one in-depth interview strategy was adopted (Saunders & Lewis, 2018). By using this strategy, more insight was gained on the participants' perspectives and experiences (Maxwell, 2013).

The study sought to understand the phenomenon which happened in the present moment and allowed the researcher to make inferences about possible relationships in support of further research, and as such, a cross-sectional time horizon was adopted for the research study. This was appropriate because a cross-sectional study involved the interpretation of data from a population at a specific point in time (Saunders & Lewis, 2018).

4.3. Population

The population considered for this research was specific to the petroleum industry in South Africa. Due to the study being focused on a particular section of the petroleum industry, only that population operating within that context was considered to form part of the population for the study. The part of the value chain that was of interest

for this study was the fuel wholesaling segment which forms part of the downstream section of the petroleum industry. A fuel wholesaler business is defined as one that buys and sells petroleum product to consumers in bulk (Petroleum Products Act no 58 of 2003, 2003). To be considered a fuel wholesaling business, one must trade petroleum product at a minimum of 1 500 litres or more per transaction (Petroleum Products Act no 58 of 2003, 2003). In South Africa, there are three associations registered for the representation of wholesalers operating in the industry: The South African Petroleum Industry Association (SAPIA), the Liquid Fuels Wholesalers Association (LFWA) and the National African Energy Wholesalers Association of South Africa (NAEWASA). Furthermore, the sector institutions mandated to monitor and regulate the industry are: The National Energy Regulator of South Africa (NERSA), the Department of Mineral Resources and Energy (DMRE) and Transnet National Ports Authority (TNPA).

Because the study sought to explore the understanding of human capital and its perceived importance to economic success in the wholesaling portion of the value chain, wholesaling SME's were selected to form part of the population, and were the main population of interest. The study however, included the sector associations and the sector regulators. This was to ensure that a broad view of the industry's understanding of the significance and role of human capital was acquired and to ensure triangulation. The population was therefore subdivided in three parts namely: The wholesaling SMEs, The Industry Association for wholesalers, and The Industry Regulators.

4.4. Sampling Method and Size

For this particular research, two techniques were used for the selection of the different subgroup population. For the industry regulators and industry associations, probability sampling was employed because the researcher had the complete list of the population within the South African context. The targeted sample chosen was meant to represent each participant of the population from the existing associations and regulators. Since only three wholesaler representative associations exist, all three were targeted to form part of the sample, with one participant from each association partaking in the proposed study. The three industry regulators specific to

the petroleum industry were also targeted to have one participant from each of the regulatory bodies.

A non-probability sampling technique was used for the selection of the wholesaling SMEs. The reason for choosing this technique was because there was no sampling frame. Probability sampling involved random selection of a sample, while non-probability sampling did not because of its reliance on the subjective judgment of the researcher (Saunders & Lewis, 2018). According to Saunders & Lewis (2018), non-probability sampling has frequently been used in combination with qualitative data collection techniques such as semi-structured interviews, which made it suitable as a technique for this study.

The criteria that was used to select the sample was homogeneous in nature because the research sought to gain deep insight mainly from the core sample which was that of the wholesalers. This was meant to provide the least possible dissimilarity in possible data collected and allow characteristics to be explored in greater profundity with minor differences more obvious (Saunders & Lewis, 2018). For the core sample selection, 10 wholesaling SMEs were randomly selected using the petroleum industry database composed by the National Energy Regulator of South Africa, which included various SME wholesalers, some of which were members of each of the three wholesaling industry associations. The balance of the sample comprised of three representatives from the Petroleum Industry Regulatory Bodies, but only from two Regulatory bodies as one of the Regulatory bodies could not participate. In addition, two representatives from the Wholesalers Associations participated, with one Association unable to follow through on their participation. As such the combined sample consisted of two participants from industry associations, three participants from the industry regulators and 10 participants from wholesaling SMEs, bringing the total sample to 15 participants for the study. A summary of the sample is detailed in the table below.

Table 3*Summary of Chosen Sample*

| INDUSTRY | Organisation | Number of Respondents | Job Designation |
|---|---|------------------------------|---|
| Petroleum Industry Regulatory Bodies | National Energy Regulator of South Africa (NERSA) | 1 | Executive Level |
| | Department of Mineral Resources and Energy (DMRE) | 1 | Executive Level |
| 1 | | | |
| Petroleum Industry Wholesalers Associations | Liquid Fuels Wholesalers Association (LFWA) | 1 | Executive Level |
| | National African Energy Wholesalers Association of South Africa (NAEWASA) | 1 | Executive Level |
| Petroleum Wholesaling SMEs | Organisation 1 | 1 | Founder /Managing Director/ Chief Executive |
| | Organisation 2 | 1 | |
| | Organisation 3 | 1 | |
| | Organisation 4 | 1 | |
| | Organisation 5 | 1 | |
| | Organisation 6 | 1 | |
| | Organisation 7 | 1 | |
| | Organisation 8 | 1 | |
| | Organisation 9 | 1 | |
| | Organisation 10 | 1 | |
| TOTAL RESPONDENTS | | 15 | |

The study undertaken did not require organisational consent for access, only consent from the individuals that agreed to participate as these were the unit of analysis. The basis for the sample size estimation was based on the likelihood that after several interviews no new information or different insights would be gained. According to a study conducted by Guest, Namey & Chen (2020), their findings indicated that typically six to seven interviews capture the majority of themes in a homogenous

sample (six interviews to reach 80% saturation) and that to reach higher degrees of saturation (95% and above) approximately 11-12 interviews are needed. Since 15 interviews were held, it was concluded that the sample size was sufficient to achieve a point of saturation.

4.5. Unit of analysis

The unit of analysis was as follows:

- Wholesaling SME owners/directors;
- Executive managers from industry associations; and
- Executive managers from regulatory bodies in the petroleum industry

The criteria for limiting to executive level was because decisions relating to human capital were those that were only decided upon at a strategic level.

4.6. Data Collection Tool

The measurement instrument applied was the use of semi-structured, in-depth interviews. There were three overarching research questions which were broken down into sub-questions. These formed the basis of the interview schedule comprising overall of between eight and nine questions amongst the three chosen subgroups. Due to there being three different subgroups, there was a minor variation in the measurement instrument in line with the subgroups.

As per Saunders & Lewis (2012), the questions were categorised into themes. The questions developed were a mixture of those that were probing, specifying, directing and interpreting questions (Saunders & Lewis, 2018). Through the overarching questions, the researcher was able to effectively explore and analyse the role that human capital was perceived to play in the petroleum industry with a focus on the petroleum wholesaling SMEs. A redacted version of the questions mapped to the relevant overarching research question is presented in Table 4. The complete question mapping, which includes all the sample sub-groups can be found in Appendix 4.

Table 4*Research Questions and Interview Question Mapping*

| Research Questions | Interview Questions |
|--|--|
| <p>Research Question 1: What is the perceived importance of developing human capital within wholesaling SMEs?</p> | <ol style="list-style-type: none"> 1. At what stage in the business life-cycle did your organisation begin to invest in human capital? Why? 2. What approach does your organisation take to build capacity and develop the appropriate skills? 3. How does the organisation approach the selection and prioritisation of human capital development? |
| <p>Research Question 2: What is the developmental role of human capital in the economic success of wholesaling SMEs in the petroleum sector in South Africa?</p> | <ol style="list-style-type: none"> 4. What foundational knowledge, skills or experience was required to start and maintain the organisation? 5. What current knowledge, skills or attributes define the competitive advantage of the organisation? 6. What future knowledge, skills or attributes will, in your opinion, be required to ensure the growth of the organisation? |
| <p>Research Question 3: How can the efficacy of human capital within institutional constraints be managed to enable wholesaling SMEs to achieve economic success?</p> | <ol style="list-style-type: none"> 7. How have sectoral institutions helped develop human capital in wholesaling SMEs? 8. How have sectoral institutions enabled wholesaling SMEs to become competitive and to remain so through policy interventions? 9. What role, in your opinion, should sectoral institutions play in future to support the development of human capital in wholesaling SMEs? Why? |

4.7. Data Collection

Identified individuals were requested to participate in the interview by way of a standard email and telephonic request. The researcher's professional network was used to access the email addresses and phone numbers of the respondents. The research purpose was explained in the body of the email request, and for those that had been requested through telephonic conversations, a follow up email of the confirmation was sent. Upon response, a confirmation email was sent including a meeting request with the proposed time. The interviews were designed to be no more than 40 minutes per participant in duration, however, some of the interviews went on for roughly over an hour, while some only took 30 minutes. The participants were requested to indicate their preference between face-to-face interviews or virtual interview through the Microsoft Teams platform, due to the Covid-19 pandemic at the time. Only one interview from the 15 was conducted physically, with the majority of the participants indicating their preference for a virtual discussion.

Before the interviews took place, one pilot test interview was conducted in order to check whether the questions would be understood and interpreted correctly and to highlight any possible problems with the questions (Saunders & Lewis, 2018). The questions were structured according to the themes in line with the research questions one to three. According to Majid, Othman, Mohamad, Lim & Yusof (2017), one to three pilot interviews are adequate to test the early appropriateness of the interview questions. It was important to gauge if the type of questions asked would allow for the topic to be effectively explored. The pilot interview was recorded but not transcribed. From the pilot test, the main issue that came about was that the sequence of the interview questions did not allow for a natural flow of conversation. Some of the questions that were asked in the middle were found to be more suitable as starting questions. The shortcomings from the pilot interview were taken into consideration and the structure of the questions was sequenced to allow for a natural flow and inquiry. Interviews were recorded using a mobile application, Otter, on a mobile device and were later transcribed by a third party. Following the receipt of the transcripts, the content was double-checked for correctness, and where necessary corrected by the researcher. All interviews were saved on a private cloud-based drive.

4.8. Data Analysis

Data analysis is defined as the summary of all the collected data presented in a manner that shows all its important attributes as per Saunders & Lewis (2018). The thematic analysis method was used to analyse and interpret data gathered from participants interviewed. Thematic analysis was the approach used to analyse qualitative data such as interview transcripts (Friese, 2019). The key goal on the analysis of data was the identification of common themes that emerged from data collected through the interviews. To conduct the thematic analysis, the researcher examined the transcripts closely in order to identify the patterns and topics that repeatedly came up during the interviews (Saunders & Lewis, 2018).

There are several techniques that are used for thematic analysis, but the most common approach is the six-step process developed by Braun & Clarke (2006). The six steps include: Familiarisation; Coding; Generating themes; Reviewing themes; Defining and naming themes and finally the Writing up (Braun & Clarke, 2006). In the first step of familiarisation, the researcher went through the transcripts in order to get a comprehensive overview of the data. The second step involved highlighting phrases and text and coming up with a labelled code to describe the content. This step required the researcher to be thorough and consider all the relevant information presented. In the third step, all the listed codes were grouped according to relevant themes. The fourth step of the analysis involved reviewing the themes that came out, with some being merged and others that did not appear frequently were discarded. In the fifth step, the final list of themes was concluded and the themes were defined to help with the interpretation of the data. In the final and last step of the analysis, the researcher compared the themes presented to the concepts that were highlighted in the literature review and further compared with the Research Question themes that were outlined in the consistency matrix.

A total of 95 codes from the first step were identified which were then thematically grouped into six code groups. The six themes that were established included: Industry Knowledge, The Failure of Institutions and Enabling Policy interventions, Networking and Relationships, Adaptability and Innovation, Industry Experience and the prioritisation of Mandatory Compliance training. The tables reflecting all the

codes and frequencies attained for each Research Question to establish the six key themes are detailed in Chapter 5.

4.9. Data Validity and Reliability

Assessing reliability and validity are important aspects of qualitative research (Saunders & Lewis, 2018).

Reliability of the research is a component that checks the quality of recordings of data collection. To ensure consistency and reliability of the research, all the interviews that were undertaken were recorded from start to finish once acceptance by the participant allowing the session to be recorded was given. Although anonymity was not considered due to the nature of the study, participants' responses were aggregated and quotes from the individual participants were not traceable back to any one individual participant. In this way, participants' confidentiality was assured. A standardised semi-structured questionnaire was used throughout the interviews as a guide to ensure consistency. The standardisation of the questionnaires was important as it limited an element of bias when conducting the interviews, especially given the researcher's knowledge of the industry.

Legally, no person is allowed to wholesale petroleum product without an approved licence from the DMRE, as such only licensed wholesalers were considered to form part of the sample. The legitimacy of the licences was verified using the DMRE database of licensed wholesalers. To ensure validity, the data was collected from wholesaling SMEs that had been operating as wholesalers for at least five years based on the date on which their licence was issued. Validity is defined as the extent to which the research instrument set out to measure what it intended to measure (Saunders & Lewis, 2018). To ensure validity of the research, a reverse test was performed wherein the researcher examined and evaluated whether the conclusions drawn from the research flowed logically in relation to the findings (Saunders & Lewis, 2018).

4.10. Research Limitations

The selected sample for the wholesalers represented a small percentage of the wholesaling SMEs licensed to operate in South Africa, and as such did not efficiently reflect the population of all those participating in the wholesale petroleum sector. The approach relating to the sample selection was judgmental given the researcher's work in the selected industry and snowballing was used when the selected sample was unable to participate. Quality controls were put in place to ensure objectivity; as qualitative studies are generally subjective. Although the researcher conducted a pilot interview, the lack of experience for conducting such academic interviews was a limitation because the researcher did not sufficiently explore and probe further questions that were not part of the interview guide. Furthermore, the use of a cross-sectional time horizon was a major limitation for a study of that nature, given the effect that human capital has on a long term basis. In addition to this, the research is unlikely to be replicable as the same set of respondents are unlikely to give precisely the same information after time passes.

CHAPTER 5: RESULTS

5.1. Introduction

This chapter presents the findings based on the interviews that were conducted as part of the study. The findings are presented according to the Research Questions outlined in Chapter 3. This section draws the findings from the 15 respondents interviewed and details their insights and perceptions on the importance of the development of human capital at the different times of their business life stages, including what they perceive as giving them a competitive advantage. The section also details opinions from the respective interviewees on the role institutions ought to have in the development of human capital. This introduction is followed by the summary description of the sample group used and the presentation of the findings. The interview questions were developed from a consistency matrix that mapped the Research Questions with their unique literature gap which ensured provisions for consistency between the literature review, the research questions, the data collection process and the method of analysis.

5.2. Description of Sample

The chosen sample was collected through purposive and snowball sampling. This mixed method of sampling was chosen as the researcher's own professional network in the petroleum industry of South Africa was used; however due to the limitations of the availability of the targeted sample during the scheduled period, snowball sampling was used to speed up the process of data collection. The sample group consisted of 10 petroleum wholesalers, three industry regulators and two industry associations. Table 5 below is a summary of the individuals in the sample and their designations, the organisation description and the organisation industry. The core sample is that of the petroleum wholesalers, with the two subgroups used for triangulation purposes. As such, limited generalisability can be attributed to the two smaller subgroups.

Table 5*Summary of chosen sample*

| INDUSTRY | Organisation | Job Designation |
|----------------------|------------------------|---------------------------|
| Industry Regulator | Regulatory Institution | Executive Level |
| Industry Regulator | Regulatory Institution | Executive Level |
| Industry Regulator | Regulatory Institution | Executive Level |
| Industry Association | Wholesaler Association | Executive Level |
| Industry Association | Wholesaler Association | Executive Level |
| Petroleum Wholesaler | Organisation 1 | Chief Executive & Founder |
| Petroleum Wholesaler | Organisation 2 | Founder |
| Petroleum Wholesaler | Organisation 3 | Manager |
| Petroleum Wholesaler | Organisation 4 | Founder |
| Petroleum Wholesaler | Organisation 5 | Managing Director |
| Petroleum Wholesaler | Organisation 6 | Executive Manager |
| Petroleum Wholesaler | Organisation 7 | Managing Director |
| Petroleum Wholesaler | Organisation 8 | Founder |
| Petroleum Wholesaler | Organisation 9 | Managing Director |
| Petroleum Wholesaler | Organisation 10 | Chief Executive |

5.3. Presentation of Results

The results are organised according to the three Research Questions that are presented in Chapter 3 and further aligned with the interview questions derived from the Research Questions in Table 4. For the purposes of confidentiality of the sample group, the identifiers of the interviewees from A – O in this section do not correspond with the sample group chronology of Table 5 or industry which was done to preserve interview respondent confidentiality and research ethics codes.

5.4. Results for Research Question 1

Research Question 1: What is the perceived importance of developing human capital within wholesaling SMEs?

For Research Question 1, three questions were drafted and the aim was to firstly establish whether wholesalers regard the development of human capital as key to

their business, and if so to understand whether investment in human capital is considered at different levels of the business life-cycle. Furthermore, the question sought to understand what influences the kind/type of developmental areas that the business undertakes.

5.4.1. Establishing the importance of human capital investment and the key elements for SMEs

The interviewees were not directly asked whether they perceived the development of human capital as important, but their response on when they started investing in human capital development within their respective organisations was meant to indicate its relevance and importance. The question further encouraged the interviewees to articulate their perception of why at that particular point in their business had they seen the need to invest in human capital. The data that emerged from this question showed that from the inception of the firms' wholesale activities, human capital was regarded as critical for the business conception. Eight of the 10 wholesalers mentioned that right from the commencement of their wholesaling activities, had they seen the need to invest in their human capital. The responses below indicate some of the responses.

From inception as it intended to uphold and sustain company performance.

-Interviewee F

We invested in human capital from the beginning.

-Interviewee D

From inception, because human capital is the key driver of this business

-Interviewee G

I would say from the beginning through myself.

-Interviewee J

Right from the beginning. We knew we needed some form of staff complement, especially admin and logistics staff in order to properly manage the business.

-Interviewee L

I can say the company has always invested in people.

-Interviewee B

Overall the interviewed wholesalers had a similar view that one invests in human capital from the inception of the business activities. Two interviewees had an inconsistent view relative to the others in that investment in their human capital was considered only when the firms began expanding their supply regions. Although inconsistent relative to the majority response, the investment into human capital development by SMEs only when they start seeing some form of growth is not unusual because of the common challenges they face with access to resources and finances. The 2 contradictory responses were as follows:

I think when we started expanding and supplying more regions, we had to start getting people that we could train in a short space of time, such as drivers, and bring them on-board quickly. But we relied a lot on knowledge that we had gained from being in the industry.

-Interviewee K

Well as the company grew it was evident that we needed more hands on the job and people who came with different expertise. I would say at the beginning phase in the company we were just trying to get the basic compliance done, but with time we needed to consider logistics, marketing and people who were going to work on the operational side of things. I can say the company grew gradually, and as that happened, we began to invest in human capital.

-Interviewee M

Furthermore, the question probed the wholesalers to articulate their perception of why at that particular point in their business they had seen the need to invest in human capital. This expansion of the question allowed the participants to share what they recognised as being aspects of human capital. The data that emerged from this question showed which component of the human capital concept the wholesaling SMEs perceived as important. A similarly phrased question was asked to the industry regulators wherein they provided their view on what they perceived to be the most important aspect of human capital.

The results from the collected data showed that six elements were considered important factors, with the two most important being regarded as Industry Knowledge and Industry Experience. The frequency of the six elements listed from the most to the least frequently mentioned can be seen represented in Table 6.

Table 6

Most important factor in human capital

| Rank | Most Important factor in Human Capital | Frequency |
|--|---|------------------|
| 1 | Industry Knowledge | 10 |
| 2 | Industry Experience | 4 |
| 3 | Higher Education | 2 |
| 3 | On-the-job training | 2 |
| 3 | Technical Skills | 2 |
| 3 | Negotiation Skills | 1 |
| Note: Question posed to sub-group Wholesalers & Industry Regulators Total Sample (N) = 13 | | |

Wholesaling Interviewees on their perceptions regarding the important factor of human capital:

When I started this journey I went out to Botswana. I found a partner, an African citizen, an elderly gentleman. And I said I'm willing to sacrifice 50% of my company, and my knowledge, and my experience, you've got some detailed knowledge because he was owning a retail outlet. One of the major retail outlets in Botswana. So I approached him and I said I'd like to take you into this wholesale business; teach you about it what I know, and how we can change the dynamics for Botswana, in the hope that we can take it to our neighbouring [countries].

-Interviewee B

Human capital is precisely knowledge and information of the objectives, performance and goals of the organisation so this must be in place before operations begin in order to be effective and relevant in the market place and socio-economically.

-Interviewee D

I was lucky that I already had innate knowledge attained from my previous employment and shared that with those coming into my company.

-Interviewee J

But we relied a lot on knowledge that we had gained from being in the industry.

-Interviewee K

We, myself and partners came with years of experience and knowledge gained from being in the industry and it helped. - Interviewee L

The participants held the viewpoint that knowledge and experience gained from having been in the industry prior to starting their own wholesaling firms equates to human capital in its entirety. Based on these responses, the wholesalers classify investment in human capital as mainly industry knowledge and industry experience which downplays the importance of other known components of human capital, such as education and skills.

The industry regulators had this to say:

Certainly knowledge accumulation, and specific industry experience that one would need to venture forward. I believe education helps, I mean higher education, in terms of ensuring that one can operate and run a business efficiently and understand their margins, but it is not the be all and end all. I know people that have only until high school education that seem to be doing well. Yes, but I would argue on-the-job training and experience surpasses formal education, and through on-the-job training, you will ultimately gain knowledge.

-Interviewee I

I think still back to the issue of knowledge and skill because for you to survive in this space of wholesaling, you must be a good negotiator.

-Interviewee H

I think I cannot overemphasise the issue of education and training and the on-site experience. And the reason why I'm saying this, why I'm talking about education or training and on-site experience or on the job experience is that this industry is highly technical. It's very complex.

-Interviewee A

The industry regulators had an inconsistent view across the three that were interviewed, on what they regarded as the most important factor of human capital. Two of the regulators mentioned education as a component of human capital, however, their elaborations were divergent. While Interviewee A raised education as being critical due to the highly technical and complex nature of the industry, Interviewee I diminished its importance by stating that even though education helps, "it is not the be all and end all". This contradiction was surprising since one would expect that institutions would hold the same or similar views. All three, however, acknowledged that industry experience was important. The regulators, similar to the

wholesalers, identified knowledge as an important human capital component. It was interesting that from both the wholesalers and the industry regulators, only one respondent regarded skills as an important factor. This was a concern given the noted “complexity” of the industry.

5.4.2. Approach used to build capacity and develop appropriate skills

On the question of what approach was employed for the development of its human capital development, different approaches were noted as being undertaken to develop appropriate skills and build internal capacity all of which were driven by the firm’s strategy. Interestingly, only one participant from all 10 SME wholesalers made reference to budget availability as the underlying determinant of capacity building and skills development. What was surprising was that the majority did not highlight financial resource limitation as a key aspect on the ability to develop skills. This implies that SMEs in the petroleum wholesaling segment do not have financial constraints or challenges, which is highly unlikely.

The responses were as follows:

Well, the way to stay ahead of the curve in my world you have to become innovative. Now, I cannot wait for government or large international oil companies to make me innovative. I've got to become innovative. And that's the way we operate our business today. So I did not sit and wait to get this knowledge, I got up, used my pension money, investment [sic] my money. Took flights, stayed in hotels and had to go and gain the on ground knowledge and skills to see this business not from a helicopter view or an aerial view, but get on ground zero and get the skills.

-Interviewee B

Through workshops, research, training and conferences.

-Interviewee F

We have quite a big focus on skills development. Skills development can be both on an operational level and a managerial level. Managers are given opportunities to further their tertiary education, by doing MBAs as well. Logistics managers, we could do some specific training for clearing short courses. And then obviously on operational level, it's an ongoing process, where the guys go to yearly training from that so I guess from where we are within the businesses focus at the moment, a lot

of it is maintenance of skills, and making sure that we keep up with the relevant times and the relevant qualifications.

-Interviewee C

My organisation normally mentors and under study employees until they are confident enough to execute their duties without assistance. We also use platforms such as: in house training, attending of seminars and short courses, workshops etc. to ensure that the personnel expertise are always in tandem with the latest trends and developments in the industry we are in.

This ensures their growth in their respective portfolios within our organisation.

-Interviewee E

We make sure to acquire and retain the talent required to meet company strategy. One of the things we hold our staff to is to always step up performance and we reward them to ensure high productivity and efficiency across company.

-Interviewee G

We make use of the industry SETA to determine which training and development we should be embarking on. But besides that we read a lot of industry reports and try see where we can navigate our staff to pursue those future skills that may be relevant in our industry. We try and stay ahead by keeping up with industry future changes and prospects.

-Interviewee J

We make it a priority to participate in industry seminars, workshops and discussions. It is how we become aware of the kind of capacity we need going forward. We encourage our team to look up trainings that can benefit them and the firm and take it from there in terms of whether that can be a priority for that financial period.

-Interviewee L

We set out a budget for training and skills development for employees and students. This also helps us in terms of maintaining a good B-BBEE rating. In any business, ideally you want to be rated level 1, which not only keeps us on our toes in terms of compliance, but the company is then able to benefit from the skills obtained by those people that we train. We also look for opportunities at CHIETA [Chemical Industries Education and Training Authority]. We have registered a few people from the organisation who have received training at CHIETA. Because, CHIETA qualifications are accredited, people who exit the company are able to use their certifications elsewhere.

-Interviewee M

We get the right “bums” in the right seats! The first few years, are the formative years of team-cohesion and coherence. Misfits fall by the wayside within 1 to 3 years. In this period, we identify the pillars of the organisation, i.e. key personnel, we empower them to make and take decisions within their DOAGs (Delegation of Authority Guidelines). They in turn develop succession plans and skills development programmes to ensure there’s continuity in their absence. Skills are developed on a blended basis (a) external programmes, conferences, memberships with professional bodies to ensure our human capital remains up-to-date with industry changes, regulatory framework etc. (b) on the job training under a mentor within the organisation or external within the industry (c) secondments to similar organisations in the industry locally or internationally.

Staff retention is crucial for capacity building hence it is important to ensure that rising stars are identified and rewarded appropriately.

-Interviewee D

The three main tactics mentioned repeatedly as being employed to build capacity are: (a) workshops, conferences and seminars, which have been classified as Knowledge Accumulation, (b) Upskilling and (c) specific industry training programmes and courses, which have been classified as Industry Specific Training.

The Industry Regulators and Industry Associations had this to say about how they approach capacity building for their members and/ or through their licensing.

The ensuring of the development of skills, training and education I believe, lies with department of labour and Dti with the enforcement of the B-BBEE policy across all industries. We can only do what we are mandated to do by our primary legislation within the limitations of that legislations.

-Interviewee I

We are using something called petroleum charter. The charter itself has specific elements that they're looking into, that they're trying to introduce especially for the HDSA.

-Interviewee H

I think our Act attempted to actually promote development of human capital in the wholesalers' space through section 2c of the Petroleum Products Act, which I am referring to as the petroleum charter.

-Interviewee A

We have lobbied with all the institutions that are responsible for the entry and happenings of the petroleum industry. We have directly consulted Ministry about the challenges that small and particularly black companies are faced with in this industry. We work closely with the department for workshops where we invite our new members and other interested stakeholders and we discuss and capacitate people about the industry. We are also friends with CHIETA and guide our members to make use of it and partner with the SETAs to have capacity building sessions were our people are present, these we do quite often. We have also met with the Department of Economic Development and Small Business Development Department to see how they can assist our members on access to finance, markets and infrastructure.

-Interviewee N

Through lobbying the relevant institutions and advocating for the support of the small businesses within our ambit. We are always given the opportunity by institutions and regulators in the industry to share and present our views on the regulation of prices and how the RAS model has an effect on our markets so one can argue that in that way as we present what we know we are sharing knowledge

and capacitating the industry, and not just for the Wholesalers but the policy makers as well so that they are aware when proposing policy of the challenges that are within their powers that they can rectify. - Interviewee O

The two industry associations were consistent in that, as part of their mandate towards their members, they lobby and extensively consult with the relevant institutions within the sector to ensure that such workshops and programmes are put in place. The key industry regulators however, did not seem to have any mechanism in place to support capacity building, except to refer to the enacted Petroleum Charter and its purpose. There was an observation from the regulators that their role does not include getting involved in industry businesses, of which the development of skills is seen as one.

Overall, although there is a broad variance of the approaches used to build capacity and develop human capital, the overarching theme that came out was the use of Knowledge Accumulation platforms such as workshops and seminars to gain industry knowledge, which is in line with the theme emanating from sub-question 1 on the perceived important factor of human capital, which was identified as Industry Knowledge.

The themes emanating from this sub-question, based on their frequency can be seen in Table 7.

Table 7

Approach for capacity building

| Rank | Preferred approach for Human Capital development & Capacity Building | Frequency |
|--|--|-----------|
| 1 | Knowledge Accumulation | 9 |
| 2 | Upskilling | 6 |
| 3 | Industry specific training | 4 |
| 3 | Collaboration | 4 |
| 4 | Knowledge Sharing | 3 |
| 5 | Financial Resources | 2 |
| 5 | Motivation | 2 |
| 6 | Innovation | 1 |
| 6 | Mandatory Compliance | 1 |
| 6 | Skills Development | 1 |
| 6 | Higher Education | 1 |
| 6 | Industry Experience | 1 |
| Note: Question posed to all sub-groups (N=15) | | |

5.4.3. Approach followed for selection and prioritisation of human capital development

On the subject of prioritisation of human capital within the businesses, similar to the approach taken to building capacity, there was a gravitation towards industry specific programmes in line with the Sector Education and Training Authority (SETA). In addition to that, the key theme that emerged on the prioritisation of development, was the introduction of mandatory training for compliance purposes. For example, one of the participants mentioned that the training of handling dangerous goods for its drivers has to be up to date and is done on an annual basis. Another participant made mention of the driver permits that also need to be renewed annually for access to certain ports for product collection, including the renewal of their own wholesale licences for operations. Another participant confirmed that they prioritise training that meets the Broad-Based Black Economic Empowerment (B-BBEE) requirements first, to ensure that they maintain a certain B-BBEE status level.

This question was posed to the wholesalers and the industry associations, and the responses were as follows:

A big part of what determines which skills to develop, trainings to partake in, depends on or financial standing in that year and whether as an organisation we can partake extensively or minimally in training. There are trainings, for example, that have to be done on an annual basis, renewals, driver permits and trainings, we cannot get out of. For our managers, not so much, but certainly on operational staff, we have to.

-Interviewee L

We make use of the industry SETA to determine which training and development we should be embarking on. But besides that we read a lot of industry reports and try see where we can navigate our staff to pursue those future skills that may be relevant in our industry. We try and stay ahead by keeping up with industry future changes and prospects.

-Interviewee J

A lot of the training that we have to do is mandatory for compliance reasons and what not, those are there. We currently for BBE purposes are actively engaging with the relevant staff that are here to see if they would like to further skill themselves and up skill. So from a prioritisation point of view, like a written down prioritisation so everyone from the ground staff, you know, all the way to middle management. We kind of prioritise them, first and foremost. For argument's sake, we've got a lot of drivers so those drivers would need the relevant training every year; their licenses need to be up to date. Their training for dangerous goods needs to be up to date. That speaks also to our staff on the operations level. A lot of that stuff is mandatory and we have to do that. And then from a managerial point of view, or mid management level, through to upper management it's not necessary.

-Interviewee C

We will recruit competent petroleum and transport professional and drivers to ensure that we achieve the company vision. We have drafted and placed several strategies that will enable that we source competent and experienced employees as we believe that they have what it takes to take our company to where we intend it to be. We invest in employees through training and enviable welfare package and conducive working environment. This is achieved by implementing effective recruitment and selection strategies and in some cases uses psychometric test.

-Interviewee G

This is informed and driven by the needs of the organisation in response to markets/economies. Human capital needs are dynamic especially in modern times of (a) Technology which has taken over most repetitive functions such as Accounting/Book-keeping, Payroll, packing etc. (b) Generally, the business and economic environments are not as predictable as 20 years ago even 5 years ago. We operate in what has been coined VUCA environment – Volatile, Unpredictable, Complex and Ambiguous environment – lots of disruptors some intentional like technology others totally unexpected like COVID-19, working from home etc. As can be seen here, Human Capital development is fluid, depending on the environment.

-Interviewee D

Monitoring and evaluation of each and every of employee's performance is prioritised and this helps our organisation to identify strength and weaknesses. Employees that are struggling are assisted through mentoring, under study and in-house-training or external. Those that excel get promoted and given new roles within our organisation.

-Interviewee E

There are two things that we really focus on, firstly we focus on training and offer mentoring for newcomers. And then we look at how we can reward employees. On the training side we lean more towards the CHIETA qualifications. Another thing that we do is that we often look at the kind of skills/qualifications that is required in various tender documents and align with those, so that when the opportunity arises to participate in the various tenders, then we are sorted.

-Interviewee M

We are always happy to share our knowledge of the industry and partake in studies that have an impact on the industry. We have also undertaken studies ourselves on the industry and how it competes and what barriers and challenges are, in order for players and stakeholders to be aware of these when entering this industry. We make contributions to institutions like CCRED with University of Johannesburg.

-Interviewee N

We lobby extensively for our members for institutions in the industry to host free workshops and seminars that can benefit them. We have collaborated with Wits Business School Energy Leadership Centre to empower our members to learn more and understand the peculiarities in the industry.

-Interviewee O

Based on the responses, Mandatory Compliance and Knowledge Sharing are the most prominent themes that represent the manner in which participants approached the selection and prioritisation of human capital in their activities. Table 8 below represents the frequency of each category that was identified.

Table 8*Approach for Selection & Prioritisation of human capital*

| Rank | Approach preferred on Selection & Prioritisation of HC | Frequency |
|---|--|-----------|
| 1 | Mandatory Compliance | 5 |
| 1 | Knowledge Sharing | 5 |
| 2 | Legislative Framework | 2 |
| 3 | Financial Resources | 1 |
| 3 | Industry Specific Training | 1 |
| 3 | Knowledge Accumulation | 1 |
| 3 | Operational Efficiencies | 1 |
| 3 | Adaptability | 1 |
| 3 | Technology Adoption | 1 |
| 3 | Upskilling | 1 |
| 3 | Collaboration | 1 |
| Note: Question posed to subgroup Wholesalers and Associations Sample size (N) = 12 | | |

5.4.4. Knowledge as a Distinguisher

Overall, the key insight derived in answering Research Question 1 was the perceived importance of Industry Knowledge, Knowledge Accumulation and Knowledge Sharing, both from the wholesalers' perspective and the industry regulators and associations. The results from this question unanimously point to the over-reliance of the industry on knowledge as an indicator of investment in human capital. The findings from this Research Question 1 point towards knowledge being regarded across the industry participants as a key distinguisher and key indicator of human capital development. The data collected further showed the perceived importance associated with human capital development, even though it was skewed towards the one component of knowledge.

Table 9*Comparison of top 2 ranked for each interview question*

| Rank | Most Important factor in Human Capital | Preferred approach for HC development & Capacity Building | Approach preferred on Selection & Prioritisation of HC |
|------|--|---|--|
| 1 | Industry Knowledge | Knowledge Accumulation | Knowledge Sharing |
| 2 | Industry Experience | Upskilling | Mandatory Compliance Training |

5.5. Results for Research Question 2

Research Question 2: What is the developmental role of human capital in the economic success of wholesaling SMEs in the petroleum sector in South Africa?

The aim of Research Question 2 was to understand through the lens of the definition of human capital, what were considered the most influential elements and features relating to human capital for a firm's perceived success factor. To explore whether there has been perceived or experienced value for investing in the development of human capital.

5.5.1. Understanding the perceived foundational human capital needs to start a wholesale firm

Interviewees were asked what the foundational knowledge, skills or experiences were required to start and maintain the wholesaling business. Interviewees predominantly agreed that having in-depth knowledge of the petroleum industry, its players, product movement and pricing, was necessary in the founding of their wholesale activities. The same view was shared by the industry regulators and associations, who all cited an understanding of the value chain, knowledge of the industry and industry experience as minimum prerequisites for entry. This industry knowledge mentioned by the participants was said to have been gained through having been employees at various of the established oil companies in the industry, others for as long as 20 years.

Some of the interviewees believed that the relationships they had formed while still in the employ of the large corporates had benefitted the growth of their firms, with one respondent saying that their company was founded on close knit relationships, and highlighting its relevance even to the present day. One of the interviewees indicated that he relied on his experience as a banker citing the similarities of trading in banking and being a trader of petroleum product in wholesale. According to the same interviewee, realising ones' margins in the business all comes down to trading skills. Another interviewee shared the same view, stating that the business is largely about buying and selling. Several of the interviewees also highlighted that having good negotiation skills was also valuable given the trading nature of wholesaling.

The Interviewees responded accordingly as follows:

I'm an ex banker so I was trading at 0.1% and 0.2% on interest rate, buying that cheap and selling it to other people that needed it. That's what I do as a banker and I worked for a whole lot [of] international banks in this country. It looks sophisticated but it's not. It's right down to that. And yes, call me a capitalist, but also call me an opportunist, because that's where I look as a business person. It's simple, it's down to trading skills. This is trading 101, buy low, sell high, not the other way around. So, what skills did I need to get into this business; the business skills that I needed was the trading knowledge.

-Interviewee B

So I think a lot of the skills used to do that were interpersonal skills. The company kind of founded on close knit relationships with clients and suppliers. Obviously that's still relevant today.

-Interviewee C

Fundamentally, any effective human resourcing must be driven from the knowledge of the fuel wholesale industry. Therefore, on-the-job experience was a non-negotiable, particularly in Operations, Sales & Marketing, IS, i.e. all front-line functions are best resourced with experienced personnel. Resourcing of back-line functions like Finance, Administration, and General Management are resourced from those with professional qualifications such as CAs, CMAs etc. Our ethos on recruitment is "Hire for attitude and work ethic, and train for aptitude" This is the guiding principle of our organisation. With some reasonable level of experience and training attitude-fitness gets the job done.

-Interviewee D

First was to possess the knowledge of the business that you are venturing in. And the rest, such as basic accounting as the business is largely about buying and selling. Basic administrative skill like filing was also necessary in order to keep records and safeguard important documents and information. Analytical skills in order to analyse markets, new trends, identify

opportunities, business threats etc. And last but not least, being innovative and creative so that you are able to come with new ideas compete and outsmart your competitors.

-Interviewee E

The industry knowledge and trends, negotiations, presentations and business acumen.

-Interviewee F

Roles and Responsibility should talk to foundational knowledge in petroleum, liquid fuel and gas. This should include the entire petroleum pricing, transport of hazardous materials, regulatory framework, fleet management, controller dealing with scheduling, negotiations, time management and labour relations.

-Interviewee G

When the company first started, it was really all about negotiations and convincing people that we can be a reliable supplier of fuel. But I was previously working for one of the majors and in the logistics division so I had gained experience and industry tricks and know-how from there, and I was always good with people, so I knew a whole network that were useful when I was started out as a wholesaler. I understood the industry when it comes to product movement and how product moves and the lags of product movement and how to get round those. You need a lot of partnerships that you can rely on to even sell your first litre, it was rough.

-Interviewee J

Understanding of the petroleum value chain was key to the foundation of the business. As founders we all had industry experience and were certain we could, based on the skills and experience, succeed with our venture. Needless to say, it still wasn't easy, breaking out on your own, even with the experience is tricky but we kept on knocking on doors and pursuing known opportunities. We relied on the value of being Black and knowing large

corporates were rated on procurement sourced to Black companies, so we leveraged off of that, as we establishing ourselves.

-Interview L

You need to have a thorough understanding of the petroleum industry for your organisation to be successful and to align with industry demands. In terms of experience, we got experts in the field to be part of the organisation, which was critical for ensuring that the organisation compliances with the necessary bodies and remains competitive. The foundation of our business is in understanding the value chain and determining at which point of the value chain are we participating in and particularly being able to determine the exact target market. The skills required are more on the business acumen side and understanding the industry. It would help to have wholesale and distribution experience, but a lot of the things that we have learned, has been learned on the job.

-Interviewee M

The only wholesaler that did not mention understanding of the industry nor experience within it, had this to say:

Our business is still very small and when we first started as a wholesaler it was for supply of diesel for small jobs here and there. We needed to know what projects would be launched in government that relate to fuel and proactively start preparing as if we would get the projects. So you need a lot of intel and connections.

-Interviewee K

For triangulation purposes, the same question which explored what the foundational knowledge, skills and experiences required to start and maintain a wholesaling business are, was posed to the industry regulators and industry associations. The institutions responded as follows:

I think firstly to be a holder of wholesale license you need to at least have knowledge of the petroleum legislation; this becomes critical because here we are talking about the regulation, because the sector is highly regulated. You need to also understand the issues of pricing because pricing; that is

where then one is going to derive their margins, and then their margins will determine the survival of the business. And then you need to also understand the value chain of the industry itself and where wholesaling fits. And then again I can talk about the economy itself. You know that a lot of the economy, energy is the driver of the economy so we need to understand the importance of the product that you will be dealing with and then also markets in a way, where your target markets are because we know that there are still issues of a monopoly in the sector. You need to really have on the job experience. If you want to wholesale you must have at the least knowledge of the sector itself, that will come handy. And then also knowing the value chain and where you fit as this will really help you come a long way.

-Interviewee A

If you want to wholesale, like in the petroleum space, the skill that is required is for you to understand the businesses of the petroleum sectors. Who are the players that are involved? What legislation are in that space? Who are the competitors and customers?

I think you need to understand the entire petroleum industry as a whole. The skill must be linked to the sector that you want to participate in.

-Interviewee H

For any business to succeed, in any industry, one must understand how the industry interacts and really have an in depth knowledge of the value chains in that industry so that you know what impacts what. It is no different with the petroleum industry, regardless of which part of the value chain you play at as a business, you must have the industry background and understanding of it, otherwise, you will be taken advantage of.

-Interviewee I

To start, I think one would obviously in most cases have had some kind of industry experience before they decide to start on their own. In terms of skills, I think one needs to be a good negotiator because margins are so tight and try by all means to build relationships with other players, even

though they are competitors because even if you hit a snag or product supply or shortage for example, you can rely on another wholesaler for product swap. That is how the oil majors have managed to sustain themselves. It is also important to learn about the industry and the different role players because this industry is highly regulated.

-Interview N

A fundamental understanding of the industry is important so that you know as a business what you are getting yourself into. One has to understand all the externalities that affect you as a wholesaler, which are so vast and most beyond your control. One of the reasons most Wholesalers end up exiting the industry after entry, is because they did not get all the information when they pursued the business and probably had some misconceptions about how easily it is to make it.

-Interview O

Based on the data collected, the main theme that was revealed from this interview question was Industry Knowledge. This can be seen in the ranking criteria in Table 10.

Table 10

Foundational components to start & maintain a wholesaling SME

| Rank | Foundational Knowledge, Skills & Abilities to start & maintain Wholesale Business | Frequency |
|---|--|------------------|
| 1 | Industry Knowledge | 12 |
| 2 | Business Acumen | 2 |
| 2 | Trading Skills | 2 |
| 2 | Logistics | 2 |
| 3 | Banking Background | 1 |
| 3 | Capitalism Ideals | 1 |
| 3 | Established Relationships | 1 |
| 3 | Interpersonal skills | 1 |
| 3 | On-the-job Experience | 1 |
| 3 | Experienced Personnel | 1 |
| 3 | Positive Attitude | 1 |
| 3 | Market Analysis Skills | 1 |
| 3 | Innovative | 1 |
| 3 | Petroleum Pricing understanding | 1 |
| 3 | Partnerships | 1 |
| 3 | Business Connections | 1 |
| Note: Question posed to entire sample (N=15) | | |

5.5.2. Establishing the human capital elements necessary to have competitive advantage

When asked what the current knowledge, skills or attributes defined the competitive advantage of a wholesaler, different perspectives were provided based on each wholesaler's opinion of what they perceived to be their own competitive advantage. The responses to this question were so diverse that no solid category can be confidently pointed as a theme. The responses were as follows:

So I think the individuals within our companies have strong core competencies. General skills are of a very high quality here, which I believe in. If I look at those skills specifically they pertain more to product knowledge and application of that knowledge. The other ones will then, talk to a strong supplier and customer relations that obviously is what the business is built on and progressed forward and because if we look at where we are within the business cycle. Our process is in that growths cycle of our business and for a while we were kind of been in this process where it was felt internally that we were plateauing while having individuals with skills. So now, rather than hiring people with skills, instead we taking rough diamonds and making them shine, through relevant hiring and up skilling of people. This actually started to accelerate our company and take us further into that growth stage.

-Interviewee C

Staying ahead of the game through research, anticipating outcomes, networking widely, identifying gaps and carving unique strategic positioning in the market.

-Interviewee D

Research skills help our organisation to identify threats and opportunities in the market before they become apparent. Innovation also helps us to be ahead of our competitors in the industry. Information gathering such as market intelligence is key to our success as we know the strengths and weaknesses of our competitors.

-Interview E

Social capital that our employees hold, networking ability, structuring business transactions and negotiations skills.

-Interviewee F

Definitely continuing with networking even across our borders for business expansion. You cannot sit and wonder, you must go out there and source business opportunities for yourself.

-Interviewee J

I rely on reliable intel to know which projects to bid for.

-Interviewee K

Within our firm, we have a wide variety of skills and attributes. I have an MBA, and experience as an engineer so I also bring the technical aspect with. My partner who is an accountant provides the best skills when it comes to financial and projections. We have interns who have brought impressive tech skills and are looking to absorb them. We have a relatively young and driven team and I think that will definitely set us apart as we embark on growing in this industry. It is a very fast paced environment and each of us are always on the lookout for deals and opportunities.

-Interviewee L

Well, yes and no. There are other various legislations that have also come into play that have helped advanced companies and businesses that would have otherwise not have gotten these opportunities. When you look at how far the petroleum industry has come, government played a role in making sure that the international oil companies make room for skills transfer and development of smaller companies as part of their procurement spent. This has helped incredibly.

-Interviewee I

What comes to mind is the issue of diversifying a product. So that at least when you're a business on one side is not doing well so at least you know we are surviving on other products. For example, check with Sasol, they are not only producing petrol, diesel and so forth. There are other products that they are selling on the other side, which is derived from the very same leftover that is from their refineries.

-Interviewee H

This will actually go back to what I have indicated that the attributes that you need to have to define a competitive advantage for the wholesaler is that you need to understand the sector; that can never be overemphasised. You need to understand the sector and then you need to also understand the regulatory framework and the institutions that are involved in regulating the sector and what they're responsible for. So, most of the wholesalers are actually not making it as such because the piece of the cake that they make available to them it's not one that could actually make this type of businesses survive because they occupy a lot of space and then they have monopolised a lot of market.

-Interviewee A

Knowledge of how the industry interacts will definitely give a wholesaler the basics, but it is the relationships that one can build with critical stakeholders that often results in competitive advantage. The location of your infrastructure if you have immovable infrastructure is very key because product in South Africa is not consumed and distributed equally. The inland area consumes more product and the further away you are from this market, they are costs that build in, that consume your margins and you can end up with massive losses as a wholesaler.

-Interviewee O

The ability to be creative and innovative especially in difficult times. Product logistics can be difficult to manage and especially as a small business. You have to take many risks to make sure your clients get product as planned. I think those SMEs that have somehow managed to forge relationships with the oil majors certainly have an advantage when it comes to access to the product, which dictates your access to market. Very critical.

-Interviewee N

The expansive and differing views of what exactly sets each wholesaler apart was indeed expected given the nature of the industry where all the players are effectively selling the same product and have to compete for the same customers. Each has to rely on something peculiar that others may not have. Below in Table 11 is a representation of all the elements identified to bring competitive advantage, and as can be seen, no element stands out completely. However, what can be observed is the intangible nature of the elements that ranked the highest.

Table 11

Current components that define competitive advantage

| Rank | Current SKA that define competitive advantage | Frequency |
|---|---|-----------|
| 1 | Networking | 3 |
| 1 | Relationships | 3 |
| 2 | Innovation | 2 |
| 2 | Industry Knowledge | 2 |
| 2 | Research | 2 |
| 3 | Strong core competencies | 1 |
| 3 | Product knowledge | 1 |
| 3 | Upskilling | 1 |
| 3 | Staying ahead | 1 |
| 3 | Market Intelligence | 1 |
| 3 | Negotiation Skills | 1 |
| 3 | Social Capital | 1 |
| 3 | Intel | 1 |
| 3 | Combination of Skills | 1 |
| 3 | Finance | 1 |
| 3 | MBA | 1 |
| 3 | Young Complement | 1 |
| 3 | Legislative Support | 1 |
| 3 | Diversification of product offering | 1 |
| 3 | Awareness of industry policies | 1 |
| 3 | Risk Taking | 1 |
| 3 | Location | 1 |
| 3 | Small piece | 1 |
| Note: Question posed to entire sample (N=15) | | |

5.5.3. Establish the perceived future factors for firm growth

In the exploration of what the participants perceive they will require regarding human capital in order to ensure the growth and sustainability of their business activities, the following responses were received. Amongst these responses, being able to adapt

as a business was identified as the key factor. Other high-level competencies were identified for future growth. It is interesting to note the variance between aspects that participants identified as giving them competitive advantage and these elements that would supposedly ensure future growth. Even though we see Innovation as an element that starts to emerge in the identified list, there is a slight perception, based on the responses, that high level skills are only necessary when the business gets to a certain level. The Interviewees responded as follows:

I think going forward. There might be a bigger push towards greener initiatives, and how we address that. I think a lot of businesses at the moment are feeling a punch because they're not able to adapt to the constraints of the current climate green. I think being agile and being able to adapt, whether it's a business or an individual, there would be a very big push going forward.

-Interviewee C

The future is now very short so it all depends but the strongest skill required is the ability to adapt to the rapidly changing world we operate in.

-Interviewee D

Analytical skill is an important tool that has enabled us to analyse the markets or new trends, so that we either adapt or take appropriate action.

-Interviewee E

Financial modelling skills and scenario planning skills.

-Interviewee F

Financial Management, 4IR, Innovation, Carbon emission

-Interviewee G

Agility and adaptability, especially considering all the constantly changing environmental requirements and regulations.

-Interviewee J

Probably more skilled people to assist with the running of the business and move it forward in terms of identifying potential business opportunities that can diversify this business.

-Interviewee K

We think data analytics is something we need to start investing into. In the industry in particular, we will need forward looking engineers and scientists to assist with cleaner fuels and greener ways of energy. The consciousness of the environmental groups and people is said will have a big impact on this industry, so in the future, we definitely need to be more innovate and consider ways in which we can diversify and still grow. So yes, innovation is and will be a critical attribute to have.

-Interviewee L

Adaptability - The petroleum industry is ever-changing and the technology used in the industry is also ever-changing. Politics always change the landscape of the industry so as an organisation we need to be able to be adaptable to certain changes that are imposed on us. As an employer I would also like to employ people who adapt easily to change and are creative in solving problems. So, adaptability is a top priority for the company.

-Interviewee M

In contrast, the regulators pointed more towards the wholesaling SMEs being more participative in the drafting of legislation. According to one interviewee, SMEs rarely comment on proposed changes to policies and legislations but have traditionally allowed the large corporates to speak for the entire industry, which has not served the SMEs well. The regulators collectively agreed that there has to be a deliberate effort to invest in the upskilling of the SMEs in the future.

First, businesses particularly small businesses in the industry must keep up with the legislative changes and or proposals that government introduces. SME's rarely comment on these proposals, it is always the big corporates that advocate for what they want and not want. It is about time SMEs voice out their challenges, and not only that, but make effort to address those

alongside legislators. Second, SMEs must invest in upskilling themselves and see where they can become innovative and outsmart the bigger players. The world is also moving towards cleaner fuels, renewables and everything green, which means this industry may not be alive in the next few decades or less. More and more companies and countries and people are becoming conscious of the energy they are consuming which will eventually impact the growth or decline of this sector. It is time for SMEs to be innovative.

-Interviewee I

Okay, the knowledge I mean, you need to just understand the oil and gas in general. Don't limit yourself to petroleum. Understand the oil and gas value chain; hence I'm saying this will require you to also be technical to understand what the difference between the two: Oil and Gas. And then what are the policies applicable there. And then, who are the players. And what are the market and then you know margins that one can derive from that and then also on skills I mean like I said you need to be a technical person, technically, meaning that you need to understand your products and how they are priced. And then what markets are there and then also what will ensure growth, I think it's for wholesalers SME to also consider joint ventures and partnerships.

-Interviewee A

I think that for any business, irrespective of whether it is a wholesaling. There is a need for continuous, continual upskilling of trading of your own. Because if you check it out, we are moving into a technological world, whereas there is fourth industrial revolution, where most of these things are not done manually anymore. You place orders via a technological system. So I think you need to upskill yourself also in terms of the new evolvement in the space. For example, when you place orders, when you do applications; things are changing. You are no longer going to fill the forms and bring them.

-Interviewee H

The Industry Associations on the other hand believed that for their constituents to attain growth, there has to be a collaborative effort of the wholesalers coming together and forming partnerships. This view was also suggested by one regulator saying that SMEs should consider joint ventures for growth considerations.

I think the Wholesalers need to be more collaborative to grow to the extent that we want them to grow and transform this industry. In an industry such as this, you have to be analytical and make strategic decisions based on market predictions, those are valuable skills.

-Interviewee N

Being innovative is definitely something that we need to harness as an industry, to instil it in our business people. I think in the future, partnerships and deliberate collaboration of wholesalers is going to be key, including partnerships outside of the context of South Africa.

-Interviewee O

Table 12 below represents the frequency of each of the aspects that were identified as necessary to ensure future growth of the wholesaling firms.

Table 12

Future needs for firm growth

| Rank | Future SKA for growth | Frequency |
|---|----------------------------------|-----------|
| 1 | Adaptability | 5 |
| 2 | Innovation | 4 |
| 2 | Move towards Clean Energy | 4 |
| 3 | Agility | 2 |
| 3 | Analytical Skills | 2 |
| 3 | Data Analytics | 2 |
| 3 | Business Diversification | 2 |
| 3 | Upskilling | 3 |
| 3 | Joint Ventures (Partnerships) | 2 |
| 4 | Holistic Oil & Gas Knowledge | 1 |
| 4 | Knowledge of Green Initiatives | 1 |
| 4 | Awareness of Legislative Changes | 1 |
| Note: Question posed to entire sample (N=15) | | |

5.5.4. Developmental role of human capital through business life cycle

Based on the data collected and rankings presented on the frequency tables for Research Question 2, it seems that the industry as a whole acknowledges industry knowledge as the foundational human capital component necessary to start a wholesaling business. However, the industry participants do not seem to have a cohesive opinion on the human capital components that can result in competitive advantage or those that can ensure future growth and sustainability of the firms.

5.6. Results for Research Question 3

Research Question 3: How can the efficacy of human capital within institutional constraints be managed to enable wholesaling SMEs to achieve economic success?

The aim of Research Question 3 was to determine the role sector institutions play in developing human capital, and to explore and assess whether policy interventions have motivated the development (or lack thereof) of human capital in the sector. The petroleum industry is one characterised by heavy regulation at the different stages of the value chain. As first industry to promulgate a transformation charter in the year 2000 wherein one of the key focuses was on industry skills development, capacity building and skills transfer from the international oil companies to South Africans, there is an expectation that institutions in the sector will participate through their policy interventions, on developing human capital.

An interesting observation in the answering of this research question was the move away from the concept of human capital development towards the general lack of enablement from government institutions that regulate the industry on the basis of SME business support in an industry characterised by monopolistic behaviour of the international oil companies. The fact that product supply was still in the hands of controlling internationals, rather than in the control of state institutions was raised as a key concern for SME business continuity. As one of the interviewees vehemently pointed out, the industry is still run by those who have been running it even before government intervened in an effort to level the industry and allow new entrants.

During the time that the interviews were conducted, the industry had experienced at least two refinery shutdowns due to unexplained explosions and to date, none of the refineries have indicated plans to restart their manufacturing. The implications of these events is that the oil majors have relied on importation of already refined product for further allocation to supply contracts, which usually results in rationing out of product to the smaller players such as the wholesaling SMEs.

One respondent argued that the licensing of independent wholesalers such as themselves has not achieved the desired results of competitiveness and inclusivity of the industry due to the ineffective access to market, finance and critical infrastructure. Another respondent stated that the sector institutions have frustrated every move that would have stimulated competition within the sector by enforcing stringent requirements and unsupportive legislation.

5.6.1. To establish the role played by sector institutions in human capital development

The participants were asked how sectoral institutions have helped in the development of human capital in wholesaling SMEs. One interviewee from the wholesalers was unable to respond to all the sub-questions constructed under this research questions. The interviewees responded as follows:

If human capital is limited to historically disadvantaged South Africans, the answer is no. Sectoral Institutions have failed. Their mandate is to enable and facilitate human capital development through new businesses and investments. It is quite the opposite in that sectoral institutions inadvertently perpetuate the status quo. They have a one size fits all approach. The effects of economic prejudice of apartheid on black South Africans are not taken into account and this has made it difficult to develop and sustain human capital of black South Africans.

-Interviewee D

The sectoral institutions have failed dismally to play their role as investors of human development capital in the wholesale sector and one cannot think of any initiative have been in the sector for more than twelve years.

-Interviewee E

Government regulations tend to provide fairness, since all participants must abide by the same rules.

-Interviewee F

With the provision of industry specific training through the relevant SETA.

-Interviewee G

Not much, honestly, not much. Institutions in the industry have terribly failed to change the status quo, in fact, they have enabled the status quo. Look at what is happening now, refineries are down due to explosions that cannot be explained, why? Because they are old and who suffers? Us the independent wholesalers because we are not prioritised when it comes to getting product. When there are shortages, we are first to feel the brunt, which hurts our clientele.

-Interviewee J

I can say that I have benefitted from the workshops held by the DMRE which have helped us understand the industry more and it has also helped us understand the policy requirements for licensing and such.

-Interviewee K

To be honest not a lot has been done. We always hear of government initiatives that are meant to bridge the gap between big players in the industry and those who are relatively new, and also give small players the opportunity to grow, but I haven't heard of many success stories.

-Interviewee M

Just take a look at the industry, thousands of black companies and SMEs hold wholesale licences but how many are actually deriving value from having those licences. Product is still in the hands of those it was in the hands of even before government starting trying to transform this industry, and without product, what can you trade. Government always saying it is doing so much, but there is absolutely not significant change in the structure and main players of this industry.

-Interviewee L

Based on the responses from the wholesalers, there was not much confidence attributed to institutions and the role that they have played in developing human capital in the industry. To a large extent, the majority felt that institutions have failed, with only one wholesaler citing the benefit of the workshops that are hosted by the DMRE. Many of the responses shifted towards sector institutions' lack of intervention of changing the actual structural challenges and barriers to doing business in the industry.

The sector regulators gave this response:

We have regular regional workshops every year. These workshops are attended by various experts in the industry from your financial lending institutions, your local government representative, your regional government representative and also personnel from the department in the licensing and compliance just to actually educate and share information on what the sector is all about and then how does one go about applying so this has been what we have been doing throughout and then it is a continuing thing. It is an ongoing, sort of like commitment or initiative to educate any potential person who'd like to enter the space.

-Interviewee A

I think in our space. Normally, we used to have a workshop that we're doing around all these provinces. On these workshops, we are trying to educate people who are interested in this space to say, where are the opportunities to help them understand the business of petroleum.

-Interviewee H

As mentioned, we can only do that which is within our primary and guiding legislation. Stakeholder education is part of that and we try as often as possible to engage wholesalers in the industry and talk to them about our role and how we can assist and we also share our experiences with new entrants coming into the industry. We have an open door policy and any firm can access us any time to provide information.

-Interviewee I

I cannot really think of any, except for workshops that are held regarding compliance within the industry which really explain all the regulatory requirements you would need as a wholesaler.

-Interviewee O

Through information sharing, through the workshops and capacity building sessions that we have. There is no specific programme for SMEs but SAPIA has professional programmes that it runs with Rhodes University I think, where they teach about the industry and the whole value chain.

-Interviewee N

The response from the regulators was unanimously clear that their contribution to developing human capital was only through information sharing at their annual provincial workshops. The focus was also on explaining compliance obligations for operators within the industry, rather than developing specific skills. The data collected suggests that the institutions regard themselves as merely organisations that share information, rather than taking part in the enablement of developing any particular skills and competencies in the industry. The data on Table 13 shows two main divergent views, one that acknowledges the workshops have helped develop human capital, which was mainly from the institutions and associations, and another which points to institutional failure.

Table 13

Sectoral Institutions contribution in developing human capital

| Rank | Sectoral Institutions Contribution | Frequency |
|---|---|------------------|
| 1 | Institution stakeholder workshops | 6 |
| 1 | Failure by Institutions | 6 |
| 2 | Perpetuation of Status-Quo | 2 |
| 3 | One-size-fits-all failure | 1 |
| 3 | Institutions limited by legislation | 1 |
| Note: question posed to entire sample (N=15) | | |

5.6.2. To establish whether policy interventions have enabled wholesalers to become competitive

This question was asked to establish whether sectoral institutions have enabled wholesaling SMEs to become competitive and to remain so through policy

interventions. A similar view from the wholesalers persisted that sector institutions have not enabled wholesaler SME competitiveness, with one respondent saying that even the state-owned enterprises in the industry do not enable SME wholesalers but support the large corporates. What can be seen from the responses from the regulators is the shift of responsibility to other government institutions. There is a perceived detachment of responsibility for any role that institutions could have contributed to SME competitiveness. The views expressed by the respondents are as follows:

They haven't done enough. And when I say they haven't done enough in my past 10 years out in this industry, they've actually done less listening than they've done in the past 10 years, so they continue to do less than expect more. And you can't do that. You got to put more infrastructures on the ground, you got to start legislating. So when they asked me what competitive advantage the state owned enterprises have given us: nothing, sorry to say this, they may have put some new infrastructure here or there, but from our innovation and staying ahead of the game, and creating new opportunities, new corridors. No, I think they've left it all in the safety hands, what they call the safety hands of the international employers at the expense of the independent entrepreneur South African entities.

Interviewee B

Will limit the answer to licensing of Wholesalers by the Department of Energy. With no access to (a) markets (b) finance and (c) port infrastructure, licensing of Wholesalers has not achieved the desired outcomes such as inclusivity and competition. Regulators need a holistic end to end approach if new entrants are to be successful. Most Wholesale licenses have been parked and are gathering dust due to lack of access to the 3 areas I mentioned.

-Interviewee D

Not at all their focus is on major oil companies and I suspect they do not have full grasp and understanding of the role that is played by wholesalers in the economy and hence their lack of commitment to support transformation. They have frustrated every move that would have

contributed in stimulating competition within the sector. South Africa's economy is run and controlled by monopolies as a result our economy is in the doldrums and depressed as a one of the consequences.

-Interviewee E

They haven't, and it is because oil major companies have not committed and complied to B-BBEE requirements to enable access of products to wholesaler. Access to infrastructure such as pipeline, storage and Refineries remains a challenge the government has been unable to solve to this day.

-Interviewee G

I really don't see it.

-Interviewee J

Sectoral institutions are government institutions, the current policies do not promote the growth and development of those who are new in the industry. Government is slow in adopting policies and even slower in implementing them.

-Interviewee M

Through policy, we have seen how our black companies are now getting preference as suppliers from these big organisations simply because you are black-owned. It is a win-win situation because we get business and procurement from them through product and they get points for supplying a black owned company. I think more can be done with regards to information sharing. There is too much classified information this industry.

-Interviewee L

I think with sectoral institutions; I think they also need to bring in what other government departments have been doing to assist because this is sort of like an area where there is a number of role players. I think the CHIETA chemical industry education and training authority also comes into play here to train any potential person who wants to explore opportunities in the

sector; some kind of training, but also government is trying, from time to time to review its policies and legislation to create an enabling environment for new entrants to come through.

-Interviewee A

So, what government can come up with, is a way to encourage people to say when you procure a product, let's set a percentage to be catered for, for this particular space. Or if you're buying a product as a big business and there are small wholesalers who are having this product. Let's have certain percentage that is coming from this wholesalers, as a compulsory.

-Interviewee H

I believe the B-BBEE policy is in an effort to do that, yes, there are challenges of enforcement but it is a step in the right direction to also enable SMEs to participate in industries. There are actually many government institutions with the purpose of transforming industries, the DTI, the SEDAs.

-Interview I

Well, if you think about it, the petroleum charter of 2000 was meant to do that. It was meant to transform this industry, allow new entrants and capacitate them and provide for a supportive culture and skills transfer in the industry. Has that Charter been able to do that which it was meant to, the answer is no.

-Interviewee O

One of our members' biggest challenge is access to finance, access to infrastructure and access to product on a fair basis. We do consult industry institutions on how they can help, but it usually futile. We have been participating in the Petroleum and Liquid Fuels Sector Charter Council which is looking at aligning the petroleum charter with the B-BBEE policy, because over the years and decades, the industry has remained unchanged to a large extent and government has protected the oil majors and has not supported entry of SMEs into this industry. We still struggle to get support from government even today. - Interviewee N

Based on the data collected, institutions are seen as not having enabled SME wholesalers with a lack of enabling environment scoring the highest frequency count of seven counts. Table 14 below represents the frequency of each aspect that was identified in response to the interview question.

Table 14

Sectoral Institutions enablement for competitive advantage

| Rank | Sectoral Institutions and competitive advantage enablement | Frequency |
|---|---|------------------|
| 1 | Lack of enabling environment | 7 |
| 2 | Barriers to access | 4 |
| 2 | Responsibility of other institutions | 3 |
| Note: question posed to entire sample (N=15) | | |

5.6.3. To establish whether there is a responsibility of sector institutions to play a role in developing human capital

The final question posed to the interviewees was an expression of their view on the role that sectoral institutions should play in future to support the development of human capital in wholesaling SMEs. The majority of the wholesalers felt that institutions should disable their protection of the international oil companies and review policies that have been in place that have not effected the change that is sought. Given the widely held view that international companies should be disabled from their monopolistic behaviour, very little was forthcoming from the wholesalers on actual human capital development and how disablement of the oil majors could possibly affect that. Because the oil majors have been in control of the industry for so long, a transition of skills, knowledge and competencies across the value chain would be a critical factor if institutions were to consider a disablement of the international companies.

The responses from the interviewees were as follows:

The training provided by most academic institution does not prepare learners to be industry ready, in most case intensive training still needs to be done provide job ready training. Thus curriculum of academic institution should review and align with industry requirements.

-Interviewee G

By upholding Section 2A and 5A of the Petroleum Products Act of 1977 that states. This approach will also promote development of SMMEs in the sector.

-Interviewee F

Change of policy. Policy has to change; we are sitting with policies around BEE for the last, 2006/2004. I mean that's a good almost 20 year's policy. Policies need to change, the status quo will not change if the policy doesn't change, the policy has to change and when we talk policy we talking legal framework, in terms of legit legislating around empowering independent wholesalers, and when we talk empowering independent wholesalers, we talk about local citizens.

-Interviewee B

First the protection of the international oil majors must be stopped by government. We as South Africans are able, we have the capacity, we have gained the knowledge to take this industry forward. But we need to harness innovation in this sector, we need people to think beyond what is.

Government can play a critical role in the development of its own people. Look at how policies are performing and change them if the outcome is not what it should be. This thing of government taking forever to change policies and legislations must end, we have been dealing with the same issues and difficulties in this industry for decades.

-Interviewee L

Firstly, they should play an oversight role by monitoring and ensuring that transformation is taking place in the wholesale industry. Secondly be proactive in assisting the government by implementing and enforcing policies.

Thirdly, identify challenges and opportunities that can be seized by the wholesalers. Thirdly [sic] level the playing field and encourage competition in the sector. Fourthly, create an enabling environment by supporting new entrants in the industry not gate-keep in order to protect the interests of the big companies. This brings about new investment that lead into new jobs

creation in the sector. They should shoulder the blame for failing to ensure that monopolistic behaviour and tendencies is eradicated by encouraging competition. Competition brings are about competitive prices in the sector, innovation, economic growth, good industry practise etc.

-Interviewee E

Through regular Seminars and conferences with industry players. Sectoral institutions would fund the seminars from the levies that the public and the industry pay to the government. Conferences will be a platform where sectoral institutions and the industry get to cross-pollinate, identify gaps and discuss solutions for policy formulation and implementation. Regular seminars etc. will help close any gaps in goals & objectives between the industry and the sectoral institutions. Secondly, seminars are an informal feedback platform from the industry to sectoral institutions.

-Interviewee D

If institutions continue to ignore us and not consider our place in transforming this industry, in the end, there will be no industry. Institutions should be disabling the incumbents, there is too much protection for them even though they are no longer investing in this country.

-Interviewee J

Set up programmes that teach about the value chain that is very detailed and explain all the things one would normally not know.

-Interviewee K

South Africa needs to put South Africans first. A lot of the thing that are imported can be manufactured at a local level, but the government does not prioritise that. The way I see it the government needs to enter into Public Private Partnerships for this industry to become better. It will also enable new players and those already in the industry to be sustainable, thus creating jobs.

-Interviewee M

I think support should continue on the availing of funding, because I think funding is a barrier to entry and then also looking at the issue of making or allocating infrastructure for start-ups. And then also allocation of markets. Oiling majors should also do away with this evergreen contracts that they have and then embrace the issue of transformation and then consider allocating markets for new entrants and then training is also critical, but from the government side, I think, to create an enabling environment through policy and directives will play a major role because if companies do not act through a legislation or a directive, they won't be forced to do anything.

-Interviewee A

I think on this one, what needs to happen is, is for us to say, how we can continuously help in this small wholesalers, to ensure that they sustain the business, not just necessarily just give you wholesale license. We need to perhaps have a one leg somewhere where we have a specific directory that is dedicated to assist these people in continuously running their business until we see to a level where we are happy.

-Interviewee H

We really need to provide more in-depth coverage of what the industry entails, often people get into the industry with incomplete information and insufficient and use their pension monies to establish themselves, only to learn of how low the returns are and that it really is a volumes business. We don't give all the required information especially the financial implications of running a business in a heavily regulated industry where margins are calculated and there really is no product differentiation. You compete on cents, on securing product and ensuring a constant supply.

-Interviewee I

Institutions have to stay ahead of the changes that are taking place in the industry and lead and drive that agenda, rather than allow private incumbents dictating how the industry must be regulated, which usually really supports their own agenda. If government does not start to actively

understand the industry and the future of the industry, SMEs will never thrive in this sector.

-Interviewee O

Sector institutions need to really do what they have been saying they will do and stop making excuses with legislation. Government is so slow and making things happen. That has to change, we want institutions that are serious about changing the demographics of businesses in petroleum. Licensing regulations and permits are still a challenge for SMEs. Today only few companies can import product and get those permits, yet government knows our businesses are discriminated against.

-Interviewee N

Based on the data collected there is a perception that the current policies in place are not enabling wholesaling SMEs, nor are they stimulating a development of human capital needs of the industry. However, the perception from the regulators on the development of this sector human capital needs is worryingly casual as none of them seem to want to champion the role that they can possibly play in this aspect. Overall, a change in policies and a disablement of international oil companies were regarded as key factors for supporting the development of human capital, as can be seen in Table 15.

Table 15

Future role for sectoral institutions

| Rank | Future role for sectoral institutions | Frequency |
|---|--|------------------|
| 1 | Disable International companies | 5 |
| 2 | Change towards Enabling Policy | 4 |
| 3 | Uphold the Act | 2 |
| 3 | Review Academic Programmes | 2 |
| 3 | In-depth Sector Education | 2 |
| 4 | Harness Innovation | 1 |
| 4 | Public Private Partnerships | 1 |
| Note: question posed to entire sample (N=15) | | |

5.7. Conclusion

This chapter outlined the contents of the 15 interviews that were held with the SME wholesalers, the industry regulators and the industry associations. The results indicate that the three Research Questions as crafted have been sufficiently answered. Insights were discovered on the interpretation of what exactly the business entities in contrast to the industry bodies and regulators attribute to the founding, maintenance and growth of wholesaling organisations. The key theme that was revealed through the data collected was the perceived importance of knowledge across the sector.

Table 16

Consolidation of key themes from RQ1, RQ & RQ3

| Rank | Consolidated themes | Frequency |
|-------------|---|------------------|
| 1 | Industry Knowledge | 45 |
| 2 | Failure of Institutions & Enabling Policy Interventions | 24 |
| 3 | Networking & Relationships | 17 |
| 4 | Adaptability & Innovation | 16 |
| 5 | Industry Experience | 14 |
| 6 | Mandatory Compliance Training | 6 |

Other key sub-themes that were discovered include: The Failure of Institutions and Enabling Policy interventions, Networking and Relationships, Adaptability and Innovation, Industry Experience and the prioritisation of Mandatory Compliance training. These are represented in Table 16 below. With the exception of institutional failure component, all the other themes fall within the different categories of the definition of what human capital constitutes and their role and contribution and the perceptions attributed to each will be discussed in Chapter 6.

In Chapter 6, the findings will be discussed in further detail, linking the finding back to the literature as discussed in Chapter 2. A hypothetical model will be presented that further explores the mediating roles of various aspects to SME' firm success and growth, which will guide not only the SMEs in the wholesaling segment of the petroleum industry but will guide policy makers to better understand the key components that will result in SME success. In the upcoming section, the findings will be discussed in line with the seven themes identified.

CHAPTER 6: DISCUSSION OF RESULTS

6.1. Introduction

This chapter discusses in more detail the findings that were briefly highlighted in Chapter 5. The findings put forward are as a result of the 15 interviews that were conducted. The structure of the section follows the sequence of the Research Questions as outlined in Chapter 3 and confirms that the Research Questions have been answered. The section analyses to what extent the findings of the study were confirmatory of the arguments presented in the literature review contribute to understanding the perceptions that SMEs themselves attribute to the success and growth of their firms, while offering insight from an industry perspective.

6.2. Discussion of Results for Research Question 1

Research Question 1: What is the perceived importance of developing human capital within wholesaling SMEs?

To gain an understanding of whether SMEs in the industry perceived the development of human capital to be a critical aspect within the SME firms, it was important to first establish the respondents' view of what human capital actually is. This was done by not explicitly explaining the concept to the respondents. Human capital within the literature has been defined broadly as the skills, knowledge and attributes that are generated in individuals through training, education and on-the-job experience (Mubarik et al., 2018) (Ferreira & Franco, 2019). All these components are relevant in the interpretation of human capital and were used interchangeably by the respondents.

Interviewees were not directly asked whether they perceived the development of human capital as important, but their responses on when they started investing in human capital development within their organisations pointed towards their own perception of its role within their firms. This question was only posed to the 10 SME wholesalers as the business founders and managers within those firms. According to the literature, SMEs are recognised as playing a critical role in the development of economies (Asgary et al., 2020), even though they are grossly underestimated (Ipinnaiye et al., 2017). SMEs are known to face challenges relating to a lack of

resources, poor skills and an inadequate human capital supply (Muriithi, 2017). Yet, Ferreira & Franco (2019) made the observation that for SMEs to become successful, there had to be investment in human capital as it is the most critical resource within organisations.

To this point, eight of the 10 wholesalers indicated that from the inception of their business activities and operations within the industry, they had already started investing in human capital, signifying the perceived recognition of its importance. This supports the findings by Muda & Rahman (2016), which highlighted the significance of human capital development in the early stages of the SME business. This was especially true for the founders, who indicated that the investment of development was for themselves as owners of the businesses. This assertion was supported by the literature which states that the initial success of the firm depended on the elements of human capital that the founder may have possessed (Mubarik et al., 2018).

6.2.1. Deconstructing the concept of human capital

Without defining what human capital was, the researcher probed both the wholesalers and the regulators on what they regarded as the most important aspect of human capital. This expansion of the question allowed the participants to share what they recognised as being constructs of human capital. Table 6 showed the constructs associated by the interviewees on human capital as a concept. The highest ranked factor was industry knowledge, with a frequency count of 10, with the majority of respondents explicitly describing knowledge as the most important factor of human capital.

The industry knowledge, as indicated by the wholesalers was mainly as a consequence of having been employees of the large oil companies in the petroleum industry. Even though the concept of human capital includes variables comprising of knowledge, skills, abilities, attributes, talents and experiences (Muda & Rahman 2016), according to Kengatharan (2019), one of the ways in which human capital is embedded in people is through knowledge. Ferreira & Franco (2019) however, define human capital as knowledge that has been generated and kept within a firms'

employees. Knowledge by itself, is a component of human capital and is seen as an outcome of investing in education (Cañibano & Potts, 2019).

Although Aliu & Aigbavboa (2019) emphasises knowledge and learning as being critical components of human capital, the classification of knowledge equating to human capital as the wholesalers have done points to a flaw in their interpretation of what constitutes human capital. In fact, Lenihan et al (2019) argues that knowledge does not entirely capture the field of human capital, as it lacks the expansion into the value brought by other human attributes.

The second highest ranked aspect that was regarded as important, was industry experience, with a frequency count of 4. Experience was one of the components that formed part of the accepted definition of human capital adopted for this study (Muda & Rahman 2016). The aspect of valuing industry experience as an important factor of human capital was supported in the study by Mubarik et al (2018), which identified work-related experience as a core dimension of human capital within SMEs used to gain competitive advantage.

On the other hand, the industry regulators with their divergent view on the importance of education as a component of human capital, collectively identified the categories of human capital as outlined in the literature by Muda Rahman (2016). Muda & Rahman (2016) touched on an individual's capacity through their level of education and professional skills, while Mubarik et al (2018) highlighted personal experience and professional knowledge as key components, which the regulators made mention of.

All three regulators acknowledged industry experience as an important factor of human capital, and this was further supported by the literature conveyed by Aslam (2020), who argues that the most important component on the development of human capital is on-the-job experience. The regulators also identified knowledge as an important human capital component, which supported the view held by the wholesalers. Only a few of the interviewees regarded specific skills sets as being important factors of human capital.

6.2.2. Approaches for Building Capacity and Developing Skills

This interview question required participants to elaborate on the approaches that are used in building capacity and developing skills. The answers to this question identified 12 adopted tactics used which were presented in Table 7, with knowledge accumulation having the highest frequency count of 9. The tactics were broad with each firm employing a firm-specific strategy for developing the skills of its resources.

There is emphasis placed on firms needing to develop their own firm-specific resources to gain any competitive advantage in the industries in which they operate. (Nagano, 2020). Some of the interviewees mentioned the reliance on the sector specific programmes championed by the industry Chemical Industries Education and Training Authority (CHIETA), which are used as a basis for the development of general worker training. Others regarded upskilling at the operational level as the manner in which they approach skills development. The majority of the wholesalers though, relied on industry platforms as a way of gaining information and knowledge. Their reasons for gravitating towards industry workshops is confirmed by Ferreira & Franco (2019) who argue that SMEs rely to a large extent on knowledge as their main resource in their efforts to build capacity.

Knowledge accumulation activities such as workshops, conferences and seminars were the most preferred in line with the perceived importance of gaining industry knowledge as was identified by the wholesalers in their definition of human capital. According to Onkelinx et al (2016), when SMEs invest in higher levels of knowledge accumulation, it allows employees to engage in complex and high quality standards of work activities, benefitting the employer. The use of knowledge sharing and accumulation platforms, which is usually free, and therefore easily accessible for SMEs, was not unexpected. This is partially because the literature cites financial resource limitation as one of the key issues inhibiting skills development in SMEs (Sitharam & Hoque, 2016). According to the literature regarding factors which affect SME performance, financial constraints are often identified as the leading inhibiting factor which affects the ability of SMEs to develop their internal skills (Ipinnaiye et al., 2017).

Using the lens of a resource-based view, it has been postulated that firms can actually make use of external sources to gain and accumulate knowledge, as long as there is a transfer of the knowledge to the internal resources (Burvill, 2018). As such, the use of Industry Knowledge Sharing platforms that aim to advance industry knowledge as a whole, is in line with instruments that can be a source of building capacity for an industry. Despite all industry participants attaining the same information, which can be transformed to knowledge, Krasniqi & Mustafa (2016), argued that the output and resultant success could be different for the firms, due to the unique manner in which that knowledge gained could be utilised and brought together.

In addition, (Aslam, 2020) made the assertion that institutions reinforce the effect of human capital on the growth of the economy, by providing the necessary conditions to strengthen the development of human capital. The industry associations were consistent in that, as part of their mandate towards their members, they lobby and extensively consult with the relevant institutions within the sector to ensure that such workshops and programmes are put in place.

6.2.3. Approach in the Selection and Prioritisation of human capital

The participants were asked how they approach the selection and the prioritisation of building capacity and developing the appropriate skills. Similar to interview questions 1 and 2, knowledge gaining and sharing platforms had the highest frequency, but shared the ranking with mandatory compliance training. There was a gravitation towards industry specific programmes in line with the industry CHIETA and the use of knowledge sharing platforms.

The focus of prioritising compliance-related training in SMEs is not uncommon, in fact, according to Sitharam & Hoque (2016), SMEs may lean more towards this in order to legitimise their operations and promote their business credibility. Although not out-rightly expressed, the lack of financial resources and minimal support given to SMEs (Muriithi, 2017) results in the firms operating with an outlook of just meeting the minimum requirements of compliance to continue operating legally.

The financial challenges identified that make it difficult for SMEs to gain access are linked to the lack of collateral that can be considered by funding institutions against borrowing (Sitharam & Hoque, 2016). Ultimately, SMEs focusing on training and development on the basis of satisfying compliance, hinders value that could be derived from focusing on firm-specific training and education that would result in unique competitive advantage for the firm.

6.2.4. Conclusive findings for Research Question 1

In answering Research Question 1, based on the data collected there is a perception that it is important to develop and invest in human capital. The findings from this question indicate the preference of the industry towards knowledge as an indicator of investment in human capital. Empirically, when a comparison is made between the top two results from interview questions 1,2 and 3 in Table 9, knowledge comes out as the leading important factor.

Literature substantiates this in the argument presented by Ferreira & Franco (2019) who argue that SMEs rely to a large extent on knowledge as their main resource. This is also articulated by Aliu & Aigbavboa (2019) who emphasise knowledge as critical since there is no replacement for it. Allameh (2018) further argues that because knowledge lies within individuals, it is important that organisations focus on knowledge sharing activities. The findings from this research question point towards two key discoveries; that industry specific knowledge is regarded across the industry participants as a key distinguisher and key indicator of human capital development; and in light of this, it can be inferred that there is a perceived importance associated with human capital development, however, it is skewed towards the one component of knowledge.

6.3 Discussion of Results for Research Question 2

Research Question 2: What is the developmental role of human capital in the economic success of wholesaling SMEs in the petroleum sector in South Africa?

Research Question 2 sought to explore whether wholesalers perceive firm's success as being associated with particular skills, knowledge and attributes and to understand if SMEs themselves perceive and attribute their firm's success and growth to the development and investment made towards human capital. The question further sought to understand what each SME perceives as competitive advantage and as necessary skills, knowledge and attributes to ensure future sustainable growth.

In the study by Cvetanović et al (2020) human capital progress has been cited as the single greatest difference between developing countries and developed countries, providing the reason why it is so important to understand its developmental role within SMEs. The success, therefore, of economies, and firms operating within economies, depends on the increase of human capabilities. By making investments in the development of human capital through education, training and on-the-job experience, it is expected that there will an increase in productivity (Rangongo & Ngwakwe, 2019).

6.3.1. Foundational components to start & maintain SME firm

According to the study by Muda & Rahman (2016), the initial success of the firm depends on the elements of human capital that the founder may possess. This view is extended by Suroso & Anggraeni (2017) who argue that the role played by the founder within the firm directly affects the success of the firm.

Data collected in the answering of interview question 4, showed that the participants relied more on industry knowledge than any of the other factors, and which had the highest rank and a frequency of 12 as presented in Table 10. The majority of the interviewees indicated that having in-depth knowledge of the petroleum industry, its players, product movement and pricing, was necessary in the founding of their wholesale activities. The same view was shared by the industry regulators and

associations, who all cited an understanding of the value chain, knowledge of the industry and industry experience as minimum prerequisites for entry.

This industry knowledge mentioned by most of the wholesalers was said to have been gained from having been employees at various of the established oil companies in the industry, for some as long as 20 years. This aspect of attaining experience and utilising it as the foundational knowledge from which to establish a business is supported in the literature by Muda et al (2016), who articulate that the experience of the owner in the related business provides advantages for the firm particularly in the formation of a customer base. Muda & Rahman (2016) further argue that if the business establishment has come about as a result of the founder quitting his formal employment within the same industry, there would be vital motivation for the founder to ensure its success.

One interviewee believed that the relationships formed while still in the employ of the large corporates had benefitted the growth of their firm, with another respondent saying that their company was founded on close knit relationships, and highlighting its relevance even to the present day. This aspect, referred to as social capital, is said to play a critical role in contributing to the survival of an SME in competitive environments (Allameh, 2018). Within the literature, social capital is said to refer to networks, pertaining to relationships amongst people (Aliu & Aigbavboa, 2019) and which include trust, empathy and the norms and values that enable the interaction of people (Allameh, 2018).

One of the interviewees who founded a wholesaling business indicated that he relied on his experience in banking to succeed, citing the similarities of trading in banking and being a trader of petroleum product in wholesale. This is supported by the literature which highlights that the initial success of the firm depends on the elements of human capital that the founder may possess (Mubarik et al., 2018). According to the same interviewee, realising ones' margins in the business all comes down to trading skills. Another interviewee shared the same view, stating that the business is largely about buying and selling. Several of the interviewees also highlighted that having good negotiation skills was also valuable given the trading nature of wholesaling. At the conception stage of a business, firms often have limited financial resources and rely to a large extent on supervision by the founder and their role

within the firm (Sitharam & Hoque, 2016), furthermore the rate at which an SME is able to grow relies to a large extent on how well its current resources are utilised (Krasniqi & Mustafa, 2016). Such competencies, gained from having been in other industries, have no cost implications as they are already embedded within the individuals (Ipinnaiye et al., 2017).

One of the interviewees relied, not on skills or experience, but getting business on the basis of being a black-owned enterprise. As explained by the respondent, he capitalised on the need of large corporates to allocate some of their measurable procurement spend, under the Supplier and Development element of the B-BBEE requirements, to companies that had at least 51% Black ownership. This finding is not supported nor in line with the theory considered for this study and in fact contrasts strongly with the value attributed to human capital development by firms in their pursuit to gain success.

6.3.2. Current components that define Competitive Advantage

Ferreira & Franco (2019) characterise human capital in its entirety as a component that can ensure a sustained competitive advantage of SMEs and a way to overcome their scalability weaknesses.

Data collected for interview question 5 had the greatest number of variations, with 23 factors having been identified by the participants as all relevant for competitive advantage. Furthermore, as listed in Table 11, even though the number 1 ranking, networking and relationships, had the most frequency counts, each only had a total of three frequency counts, which cannot be classified as being dominant. The wide variety in what contributes to firm competitive advantage was not unexpected though because, firm competitiveness is unique to each firm (Ramon-Jeronimo et al., 2019).

Krasniqi & Mustafa (2016) posit that as an SME acquires more resources as it grows, competitive advantage will be gained through the right combination and use of that resource. Therefore, the differences perceived by each firm on their own competitive advantage are in line with current literature which argues that for firms to realise competitive advantage, there needs to be a distinction from their competitors, and this could be achieved by acquiring a better skilled workforce and more knowledgeable employees (Aliu & Aigbavboa, 2019).

Amongst the interviewees, networking and relationships were the most popular attributes for competitive advantage and were regarded as key for expanding the growth of operations and supply regions. These were followed in importance by innovation, industry knowledge and research. All these top five ranked have a commonality, in that they are all regarded as intangible resources. The literature indicates that resources that a firm accumulates can be either tangible or intangible Shibin et al (2020). Burbill (2020) further argues that it is in fact the intangible resources that have become central in growing competitiveness within the knowledge-based economy.

Another interviewee mentioned that the combination of product knowledge and high quality set of general workers has contributed to their competitive advantage. Despite the consistent citing of years of industry knowledge accumulation, another interviewee argued that their young team has contributed to their competitive advantage. The literature indicates that for firms to compete successfully within their respective industry, it requires the management to organise its combined skill set and resources in a manner that creates value and makes it hard for other firms to imitate (Ramon-Jeronimo et al., 2019). This is also supported under the lens of a resource-based view, that if a firm is able to get resources that are valuable and rare, the duplication from competing firms will be limited resulting in the firm's ability to gain competitive advantage over its rivals (Nagano, 2020).

Shibin et al., (2020) argues that a resource-based view is the most appropriate mechanism to describe the path to gain competitive advantage by focusing on resources. This has been the case with one of the interviewees whose firm, having been at a growth stage, experienced a plateauing of its competitive advantage despite acquiring the relevant skilled individuals. Only when the firm changed its strategy from hiring skilled individuals, to hiring those with mere potential and upskilled them, had they realised an accelerated growth. Another interviewee confirmed that it was their ability to stay innovative and ahead of the curve by diversifying their product offering and constantly anticipating and strategising ways to set it apart, that contributed to its success. This very ability to tap into intangible resources is in line with the literature that holds that it is in fact the intangible resources that have become central in growing firms within the knowledge-based economy Burbill (2018).

In contrast to the wholesalers' perspectives on what defines the competitive advantage of a wholesaling SME, the industry regulators had this insight to share; that within the wholesaling part of the value chain, most of the market is already captured and monopolised by the big players, and that the market that has been made available to the SME wholesalers is in fact insufficient for any of them to gain competitive advantage, particularly against the already established oil majors. What was drawn from this shared insight was that the current structural design of the industry as a whole is anti-competitive to the detriment of SMEs. The recognition by an industry institution of the operating flaws of the industry and its challenges towards SME growth proves the literature correct which posits that the extent to which SMEs can grow is directly linked to the specific institutional context where the business activities take place and it has been argued that government or institutional enablement is needed for SMEs to discover their competitive advantage (Hsu & Chen, 2019).

Other interesting elements of competitive advantage raised by the industry associations were risk taking and location. What is of interest is the fact that none of the wholesalers that have infrastructure regarded locality of their infrastructure as a point of competitive advantage, despite them being in the inland regions. Risk-taking, even though articulated by the association as bringing competitive advantage, could be argued that the business of wholesaling by its very nature is already risky, given all the dimensions related to product logistics. This is not to say that it is disregarded and not taken into consideration. Overall, the empirical data suggests that the perception of what constitutes having competitive advantage within wholesaling SMEs is firm specific, and cannot be limited to acquiring one particular skill, knowledge or ability, but rather that each firm competes differently.

6.3.3. Future components to ensure growth

Interviewees were requested to elaborate on what they perceived would be required in the future in terms of skills, knowledge and attributes to ensure growth. Table 12 indicated the top ranked attributes as adaptability, innovation and a move towards cleaner energy.

Amongst the respondents, four interviewees mentioned the importance of gaining knowledge and understanding of green initiatives and clean energy as it is expected that the consciousness towards renewables will grow even more, given the constantly changing environment. Linked to the move towards learning about cleaner fuels, half of the wholesalers identified adaptability as a key attribute that SMEs should have. Adaptability is a characteristic that has been linked to SMEs owing to their often small organisational structure (Ipinnaiye et al., 2017). Gherghina et al (2020) stipulates that unlike large corporations, SMEs have the ability to be highly flexible due to the quick decision making attributed to the structure, which enables SMEs to better adaptability when markets fluctuate. The identification by the SME wholesalers of this as a characteristic that they wish to attain in the future is supported by the literature.

Financial modelling and management, analytical skills and data analytics were competencies that were also regarded as necessary as the companies grow. The awareness of the need for these high level skills at the growth stage of the business is in line with current literature. The literature suggests that as SME businesses enter into their growth stage, it is expected that to sufficiently penetrate their targeted market, the managing leaders within the firm must have skills relating to operations, finance and strategic planning to ensure the effective management of other resources with the firm (Muda & Rahman, 2016).

Two of the interviewed wholesalers mentioned that in the future, they will need to be more innovative and consider ways to diversify their product offering. Innovation as argued by Gherghina et al (2020) is a fundamental key aspect in the accomplishment of competitive power. However, innovation is regarded as an outcome of developing human capital (Lenihan et al., 2019) and does not exist in isolation, but is a product of a supportive business environmental context (Oluwatobi et al., 2016).

In contrast to the wholesalers, the regulators pointed towards the wholesaling SMEs being more participative in the drafting of legislation. According to one interviewee, SMEs rarely comment on proposed changes to policies and legislations but have traditionally allowed the large corporates to speak for the entire industry, which has not served the SMEs well. According to Ndiaye et al (2018), a conducive regulatory environment does contribute to the extent to which SMEs can thrive. Equally, a lack

of participation by industry participants can result in industry regulations having a negative impact (Ndiaye et al., 2018). As such, this component raised by the regulators is supportive of the literature.

The Industry Associations believe that for their constituents to attain growth, there has to be a collaborative effort of the wholesalers coming together and forming partnerships. This view was also suggested by one regulator saying that SMEs should consider entering joint ventures for growth opportunities. According to Muriithi (2017), SMEs are challenged by a lack of coordination, and for stronger competitiveness should consider collaboration. The suggestion by the associations is in line with some of the studies done that examined the sustainability of SMEs in trade environments to the extent that SMEs can achieve a level of integration if there was a willingness to share quality information which would result in strategic collaborations ultimately benefitting all players (Shibin et al., 2020).

6.3.4. Conclusive Findings for Research Question 2

Literature is consistent on the source of economic growth being attributed to human capital (Ugwunta & Ugwuanyi, 2015), which is a source of productivity and the advancement in technological development (Roufagalas & Orlov, 2020). Based on the empirical data, the most relied on component of human capital, particularly during the foundational phases of the SME businesses, was identified to be industry knowledge. This was followed by aspects such as: networking and building relationships as components that distinguish competitive advantage; and adaptability and innovation as perceived characteristics that firms would need to ensure growth. All these notable characteristics are perceived to be intangible in nature.

As discussed in Chapter 2, Penrose's resource-based view of the firm argued that for a firm to achieve growth, there has to be both knowledge and resources available within the firm (Krasniqi & Mustafa, 2016), and even within the resource-based view, there is an emphasis for a firm to develop its own firm-specific resources (Nagano, 2020). It can be corroborated that intangible resources play a significant role in the founding of wholesaling firms, which is consistent with the literature review, which highlights that intangible resources are a crucial element for firm performance (Muda & Rahman, 2016). Within the resource-based view literature, intangible resources

are recognised as the most effective source of competitive advantage if used to their full potential and orchestrated correctly (Jones, Harrison & Felps, 2018).

6.4. Discussion of Results for Research Question 3

Research Question 3: How can the efficacy of human capital within institutional constraints be managed to enable wholesaling SME's to achieve economic success?

Research Question 3 sought to explore the extent to which institutions play a role in the development of industry human capital and examine whether policy interventions have an influence on fostering SME competitive advantage. The question also sought to explore the measures taken by sector institutions on the development of human capital.

6.4.1. How Sectoral Institutions have helped develop human capital within wholesaling SMEs

The data collected in answering this interview question 7 painted a dismal picture on the role that sectoral institutions have played. Table 13 shows that five aspects were identified on the perceptions held in the industry. The top two ranking views both had a frequency count of six each and are: institution stakeholder workshops and failure of institutions. What can be surmised from the remaining three views: perpetuation of status quo; one-size-fits-all failure and institutions limited by legislation, is their link to the identified aspect of: failure of institutions. Therefore, when analysed critically, the failure of institutions actually has an implied frequency count of 10 against the six attributed to institutional workshops. As such the analysis of this question will be discussed under the categorisation of the two main aspects which are failure of institutions and institution stakeholder workshops.

Through the data collected, the majority view from the wholesalers was that institutions in the industry had not helped in the development of human capital for the SMEs in the industry, but have rather let the conditions of the monopolistic behaviour of the large firms remain without intervention. The institutional initiatives that have been outlined as supporting human capital development within the sector were limited to workshops and conferences as contributions towards knowledge

accumulation and knowledge sharing. The literature is clear that institutions reinforce the effect of human capital on the growth of the economy by providing the necessary conditions to strengthen the development of human capital (Aslam, 2020). In this case, based on the respondents' view, sectoral institutions have instead weakened the development of human capital.

The perceptions of the industry regulators towards their own role on the development of human capital in the enablement of SME wholesalers suggests that they do not perceive the sector institutions as having had an effect on the success of the wholesalers. However, literature suggests that the extent to which SMEs can grow has been linked to the specific institutional context where the business activities take place, and it has been argued that government or institutional enablement is needed for SMEs to discover their competitive advantage (Hsu & Chen, 2019). As such, the role that institutions can play is much more significant than the industry regulators consider it to be.

Through the lens of endogenous growth theory and its interpretation on the role of institutions, Aslam (2020), postulates that institutions can either support or weaken the relationship between growth and human capital. Three of the Wholesalers specifically attributed the lack of change within the industry, as a result of institutions perpetuating the status quo through the policies in place and the strong-arming of the oil majors on government. Accordingly, the weakness of sectoral institutions to intervene through enabling policies is recognised in the literature and Uddin et al (2020) make the argument that because of such weakness in institutions, even were human capital to increase, it would lead to negative growth rates.

6.4.2. How Sectoral Institutions have enabled wholesaling SMEs

Interview question 8, which was closely linked to interview question 7, explored how sectoral institutions have enabled wholesaling SMEs to become competitive and remain so through policy interventions. Based on the responses received from interview question 7, a similar outcome was expected. For this question, three factors were identified, with a lack of enabling environment having the most frequency count of seven, followed by barriers to access with four frequency counts and responsibility with other institutions with three frequency counts.

Accordingly, an enabling regulatory environment and supportive policies emerged as the most influential aspects that would enable wholesaling SMEs to achieve economic success and gain competitive advantage relative to the larger companies. Literature that investigated the wealth of countries pointed towards institutions as making a significant contribution in the transition of economies (Tavani & Zamparelli, 2017) and institutional policies have been identified to impact growth (Aslam, 2020). The wholesalers, however, further noted the continued lack of access to critical infrastructure and access to product as some of their growth limitations. A large emphasis of the endogenous growth theory is on the role of institutional policy, not only on human capital development, but also on the development of infrastructure as a means to enable growth (Cvetanović et al., 2020). The sectoral institutions failed to see their role in this point.

6.4.3. Future Role of Sectoral Institutions

Interviewees were asked what role sectoral institutions should play in future to support the development of human capital in wholesaling SMEs. As depicted in Table 15, the main recommendations on what institutions should consider for future support of wholesalers, were to disable international companies and move towards enabling policy.

The disablement of the international oil companies was identified as a key factor that would enable wholesaling SMEs to achieve growth. Institutions according to the literature can determine rules of who is authorised to make decisions in certain areas; determine which activities are allowed and determine procedures, rules and regulations to be followed, and as such determine the incentive structure of an economy by encouraging third parties, prohibiting some activities and discouraging others (Cvetanović et al., 2020).

Furthermore, other interviewees responded by saying that the sector must change its policies towards those that are not enabling for SMEs. According to the literature, policymakers can stimulate SME growth beyond the basic measures of business registrations, by enhancing institutional support that would allow them to thrive sustainably (Lenihan et al., 2019). This, as argued by Eijdenberg et al (2019) can be done through enabling legislation that is not too restrictive towards SMEs.

One of the interviewees mentioned that there has to be a harnessing of innovation in the support towards human capital development. Innovation in itself, is regarded as an outcome of developing human capital (Lenihan et al., 2019). However, Oluwatobi et al (2016) argued that institutions actually define the environment that would enable innovation, positing that the relationship of human capital with innovation cannot be isolated from the role that institutions play.

6.4.4. Conclusive Findings for Research Question 3

The results for Research Question 3 indicated that the perceived view from the wholesaling SMEs was that sectoral institutions had failed to help wholesalers develop human capital and the policies in place have not enabled SME competitiveness. It was further discovered that despite the knowledge and information sharing workshops that are held annually by the sectoral institutions, the industry wholesalers were of the view that it is in fact policy intervention that is required to support the SMEs.

There was clear emphasis made by wholesalers that institutions play a vital role in ensuring that SMEs can compete. Empirically, institutions were perceived to have not made considerably sufficient effort to enable the development of human capital within wholesaling SMEs. The lack of providing conducive conditions to enable SME competitiveness has effectively allowed the large oil majors to perpetuate their monopolistic behaviour with the support of current policy. It was further revealed that inadequate development of human capital investment by sectoral institutions has hindered SME firm growth.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1. Introduction

In this concluding chapter, the final remarks of the study undertaken are tabled using the data collected as presented in Chapter 5 and discussed in Chapter 6. The chapter highlights the contribution that the study has made and makes recommendations for SME business owners and Industry Institutions. The theoretical implications and the practical assertions are briefly discussed. Finally, recommendations are made for future furthering of research and the limitations considered for the study are noted.

7.2. Principle Findings

The study explored the perceived role of human capital within petroleum wholesaling SMEs and found the following: Across the petroleum industry, knowledge specific to the industry was regarded as the most important factor of human capital followed by industry specific experience. It found that wholesalers rely on industry knowledge in the founding stages of their firms, and use networking and relationships as a tactic to gain competitive advantage. In their perception of firm growth, being adaptable, innovative and having knowledge of cleaner fuels, will ensure their future growth in the industry. Furthermore, wholesalers perceive sectoral institutions as having failed in establishing an enabling business environment for SMEs to compete. It was found that sectoral institutions do not actively participate, either through programmes or through policy intervention, in helping with the development of sector specific human capital.

7.3. Theoretical and Practical Contributions of the study

One of the key sources for this study was Muda & Rahman (2016) which highlighted the rising complexity of business environments with the increase of the emergence of the knowledge economy and the challenges faced by SMEs during the different phases of their business life-cycle. Muda & Rahman (2016) recommended that the importance of the role of human capital by SMEs themselves must be identified. The study relied on definitions of human capital from various sources, but it was the fundamental definition from Muda & Rahman (2016) that was carried throughout the study, and which defined it as the acquirement of skills, knowledge and abilities by a

country's human resources, which could be done through training, education and through experience.

The study undertaken by Rangongo & Ngwakwe (2019) highlighted the importance of an appropriately timed investment in education and further suggested an analysis on the relationship between human capital investment and the growth of an economy. Uddin et al (2020) studied how institutions' moderating effect on human development influenced the growth of the economy. Oluwatobi et al (2016) examined the relevance of human capital in attaining innovation outcomes within Sub-Saharan Africa. In the study by Hsu & Chen (2019), a link was made on industrial policy and competitive advantage at firm level and a recommendation was made for future studies to consider policy instruments and interventions that could help firms accumulate human capital. Hsu & Chen (2019) also pointed out that understanding the relevant elements within firms to sustain competitive advantage is often underrated. This was also Krasniqi & Mustafa's (2016) analogy which highlighted internal firm factors affecting growth, mainly in industries where product differentiation was limited.

These core authors who have made links between SME firm performance and economic growth, and innovation and public policy interventions, contributed to the study undertaken wherein gaps of the actual perceptions of the firms themselves on what they perceived the role of the development and investment of human capital on firm economic success to be. As such, the theoretical contribution to research is as follows:

- It looked at economic success from a meso level;
- It used three sub-group samples which prompted data triangulation and provided additional insight of a phenomenon across an industry;
- The study discovered which factors of human capital within a knowledge-intensive and capital-intensive industry were perceived as important from both regulators, businesses and associations;
- The study discovered the value attributed to intangible resources of human capital in the petroleum industry; and
- Gained insight of the view of sectoral institutions and their role in enabling SME competitiveness.

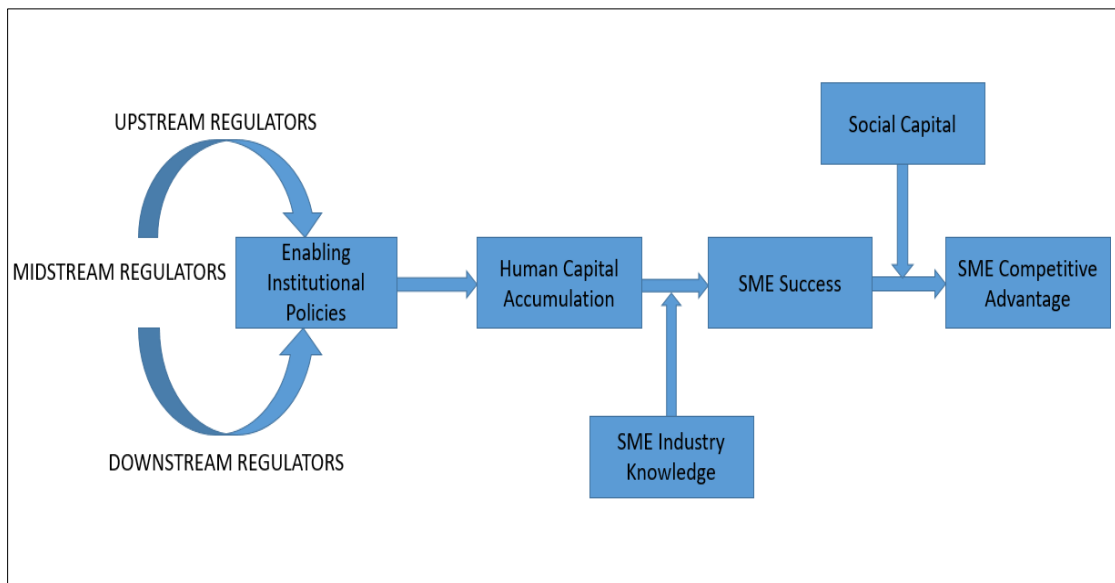
Practically, this study has contributed to understanding the challenges faced by SMEs in the petroleum wholesale industry and will assist policy makers in their consideration of aspects to consider when developing intervening legislations in the industry.

7.4. Proposed Framework for SME enablement

A framework was developed for consideration in the enablement of SME human capital development and competitive advantage. The framework, although designed specifically for the petroleum industry can be adapted and applied in any other industry that is characterised by a heavily regulated environment.

Figure 3

Proposed Framework for SME human capital development and competitive advantage



The framework proposed that for SMEs to succeed and have any competitive advantage, there has to be as a basis an enabling and optimal institutional policy (Hsu & Chen, 2019) where the government and state entities design policy instruments that can maximise the success of an SME. Based on the findings of the study which indicate the failure of government to help and enable SMEs to grow, the basis of the framework draws on that weakness as a starting point to enable SME success.

The figure shows that in order for there to be an enabling environment for business to thrive, there has to be a holistic collaboration on how all the regulatory bodies interact within the industry. No one regulator can design an effective policy without its alignment linked to other bodies in the industry. As such, an optimal policy will need all regulators to work together. The figure shows that the specific industry policies have a direct impact on the accumulation of human capital within the industry which directly influences the success of an SME.

The industry specific knowledge gained by the SME founders themselves, prior to founding their wholesale businesses, plays a mediating role on the success of the business and as such also affects the success of the business. Lastly, given all the components mentioned by the participants on what they perceived to be their competitive advantage, it was noted that a majority of the identified components were intangible and were linked to networking, relationships and partnerships. As a result, social capital was introduced as a mediating factor on SME competitive advantage.

7.5. Recommendations for wholesaling SMEs

Based on the findings of this study, the petroleum wholesaling SME identified industry knowledge as the most important factor of human capital, which was also corroborated by the industry regulators. Although knowledge is critical in the founding of a sector specific business, there should be an emphasis placed on incremental investment in developing human capital components that are linked the future growth of the business. The skills identified for future growth included data analysis, financial modelling and analytical skills amongst others, these should be harnessed early on in the business for the firm to gain competitive advantage.

Furthermore, the wholesalers must closely follow proposed changes in policy before the policies become finalised. The regulators have raised the fact that there is a lack of contribution from the SMEs in the development of sectoral policies. In addition, wholesalers must focus on building credible relationships with each other for the sharing of information and possible collaboration in order to structurally and strategically change the trading environment.

7.6. Recommendations for Industry Institutions

The key area that sectoral institutions need to urgently assess, is the effectiveness of the current policies in place, including the current instruments used to check transformation of the industry. Based on the findings of this study, there is a need for consideration in a change in policy and intervening legislation. In addition to that, institutions must consider ways in which they can play an effective role in the development of human capital both within institutions and for the external business participants. This is because quality of institutions has been noted as a key constraint for SME success.

7.7. Recommendations for Future Research

The study provided several insights that emerged during the data collection and during analysis that could not be explored as they were beyond the scope of this research. Future research could integrate industry participants from across the entire value chain of the petroleum industry to understand whether the perceptions shared resonate with the entire industry spectrum or if they only represent the wholesaling segment. The participants were not requested to elaborate on their highest qualifications, which in future studies could be used to investigate whether education levels of founders affect the competitiveness of the firm. There is a need to explore the value of industry specific training programmes that are housed at CHIETA, as various participants made reference to using these programmes as a basis for development of human capital within their firms.

7.8. Research Limitations

There are several limitations noted in the research study. These include the fact that the interviews were conducted during the COVID-19 pandemic wherein limited physical interaction with people was allowed due to restrictions in the country. As such, the majority of the interviews were conducted using online platforms which presented several limitations when compared to a physical interaction. In the first instance, some participants preferred to have their video switched off during the interview, and as a result of this the researcher could not get a true reflection of their body language which would have provided additional information on their inferences and observations. Secondly, some interviews were continuously disrupted by

connectivity problems, which resulted in the researcher missing some information. Finally, the rolling load-shedding schedules resulted in some interviews being carried over two different slots which impacted the information flow.

The study was cross-sectional, but a longitudinal study would have been essential to determine whether SMEs across the different parts of the petroleum value chain shared the same views as the wholesalers. Furthermore, more research could be done in other similar structured industries with a bigger sample size to determine the similarities and differences contributing to SME growth and competitive advantage.

The sample for the wholesaling SMEs consisted of mostly founders of the businesses which had the potential for subjective bias. The researcher had little to no experience in conducting research of this nature which could potentially have limited the depth that could have been further explored with additional probing questions. Finally, the researcher was limited by time constraints, with only one free month between the last module assignment submitted and the final submission of this research study. More time was needed to complete a study of this magnitude.

7.9. Conclusion

The study explored the perceptions that SMEs had when it came to the concept of human capital development and the perceived attribution of investment in human capital on the success of the wholesaling SMEs. It was revealed that the elements of human capital were not equally relied on when investing in firm human capital, but that industry specific knowledge was the key element that SME wholesalers perceived as necessary in the founding of the businesses. Having examined the approaches employed in the development of human capital and in the prioritisation and selection thereof, it was noted that SMEs relied to a large extent on external knowledge sharing platforms to accumulate knowledge of the industry, as this was an inexpensive option. As such, this has raised the critical role that institutions play in the accumulation of knowledge in the industry.

Furthermore, SMEs shared some broad and extensive components that each perceived as their competitive advantage. Regardless of the SMEs all attending the same industry workshops and attaining similar industry experience and training

course, each relied on different components to gain competitive advantage. Thus, consistent with a resource-based view, competitive advantage was seen as specific to each firm and relied on the manner in which each firm combined the use of its resources. Finally, it was found that sectoral institutions have largely failed in the enablement of the development of human capital in the industry and the policies in place have not allowed SMEs' ease of doing business and attaining success.

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APPENDICES

Appendix 1: Ethical Clearance

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

**Ethical Clearance
Approved**

Dear Pheladi Monyebodi,

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.

[Ethical Clearance Form](#)

Kind Regards

This email has been sent from an unmonitored email account. If you have any comments or concerns, please contact the GIBS Research Admin team.

Appendix 2: Invitation to Participate in Research Study

Dear XXXXX

Compliments of the new year and I pray this email finds you well! Your contact details were shared with me by Mr Kekana who has assisted me greatly.

I am hoping you can assist me on a study I am currently doing as a student at the University of Pretoria's Gordon Institute of Business Science in partial fulfilment of a Master of Business Administration (MBA) programme.

I am conducting research on the perceived importance of human capital within petroleum wholesaling businesses and its influence on economic success. The study also seeks to explore the contribution of human capital at the different stages of development within petroleum wholesaling companies and to establish the role that industry institutions ought to play in the human capital development of the petroleum industry in South Africa.

I would greatly appreciate your willingness to participate in this study which will be undertaken by way of interviews. The interview is expected to last no more than 40 minutes and will be strictly confidential with all data being reported without identifiers to preserve confidentiality.

Will you kindly indicate your interest to participate, and if already known, your preferred time to have the interview as well, which can be conducted via electronic platforms in light of our current COVID-19 pandemic.

I look forward to hearing from you.

Kind regards

Pheladi Monyebodi

26459249@mygibs.co.za

Appendix 3: Letter of Informed Consent



I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA. I am conducting research on the perceived importance of human capital within petroleum wholesaling businesses and its influence on economic success. The study also seeks to explore the contribution of human capital at the different stages of development of petroleum wholesaling businesses and to establish the role that industry institutions ought to play in the human capital development of the petroleum industry in South Africa.

I would greatly appreciate your willingness to participate in this study. By signing below, you give your consent to participate. The interview will be kept strictly confidential and no source, individual or organization will be identified in the text of the final report. Our interview is expected to last not more than 40 minutes. **Your participation is voluntary, and you may withdraw at any time without penalty.**

Your permission is requested to use an audio recorder to capture the content of the interview. With your further permission, our interview will be transcribed for purposes of academic analysis. All data will be reported without identifiers to preserve confidentiality. On request, a copy of the research findings will be made available to you. If you have any concerns, please contact my supervisor or myself. Our details are provided below.

Researcher name: **Pheladi Monyebodi**

Email: **26459249@mygibs.co.za**

Phone: 073 570 0381

Research Supervisor: **Colin Rowley**

Email: **colinrowley@vodamail.co.za**

Signature of researcher:

A handwritten signature in black ink, appearing to be "Pheladi Monyebodi".

Date:

12 January 2021

Signature of participant:

Date:

Appendix 4: Consistency Matrix

| QUESTIONS | LITERATURE REVIEW | DATA COLLECTION TOOL [SME WHOLESALERS] | DATA COLLECTION TOOL [INDUSTRY ASSOCIATIONS] | DATA COLLECTION TOOL [INDUSTRY BODIES] | ANALYSIS |
|--|--|--|---|--|--------------------------|
| <p>Research Question 1: What is the perceived importance of developing human capital within Wholesaling SME's?</p> | <p>(Muda & Rahman, 2016); (Ndiaye et al., 2018); (Rangongo & Ngwakwe, 2019b); (Uddin et al., 2020)</p> | <ol style="list-style-type: none"> 1. At what stage in the business life cycle did your organisation begin to invest in Human Capital? Why? 2. What approach does your organisation take to build capacity and develop the appropriate skills? 3. How does the organisation approach the selection and prioritisation of Human Capital development? | <ol style="list-style-type: none"> 1. What approach does your Association take to advocate for the building of capacity and the development of the appropriate skills for the Wholesalers you represent? 2. How does the Association contribute to the prioritisation of Human Capital development within the industry? | <ol style="list-style-type: none"> 1. What do you regard as the most important factor of human capital? Why? 2. How do your licensing requirements or licence conditions promote the development of human capital in the Wholesalers (Licensee) activities? | <p>Thematic Analysis</p> |
| <p>Research Question 2: What is the developmental role of human capital in the economic success of Wholesaling SME's in the</p> | <p>(Krasniqi & Mustafa, 2016); (Dang et al., 2018); (Hsu & Chen, 2019); (Uddin et al., 2020)</p> | <ol style="list-style-type: none"> 4. What foundational knowledge, skills or experience was required to start and maintain the organisation? 5. What current knowledge, skills or attributes define the competitive advantage of the organisation? 6. What future knowledge, skills or attributes will, in your | <ol style="list-style-type: none"> 3. What foundational knowledge, skills or experience is required to start and maintain a Wholesaling organisation? 4. What current knowledge, skills or attributes define the competitive advantage of a Wholesaling SME? 5. What future knowledge, skills or attributes will, in | <ol style="list-style-type: none"> 3. What foundational knowledge, skills or experience is required to start and maintain a Wholesaling organisation? 4. What current knowledge, skills or attributes define the competitive advantage of a Wholesaling SME? | <p>Thematic Analysis</p> |

| | | | | | |
|---|--|--|--|--|-------------------|
| petroleum sector in South Africa? | | opinion, be required to ensure the growth of the organisation? | your opinion, be required to ensure the growth of a Wholesaling SME? | 5. What future knowledge, skills or attributes will, in your opinion, be required to ensure the growth of a Wholesaling SME? | |
| Research Question 3: How can the efficacy of human capital within institutional constraints be managed to enable Wholesaling SME's to achieve economic success? | (Oluwatobi et al., 2016); (Hsu & Chen, 2019); (Aslam, 2020); (Roufagalas & Orlov, 2020); | 6. How have sectoral institutions helped develop Human Capital in Wholesaling SMEs? 7. How have sectoral institutions enabled Wholesaling SMEs to become competitive and to remain so through policy interventions? 8. What role, in your opinion, should sectoral institutions play in future to support the development of Human Capital in Wholesaling SMEs? Why? | 6. How have sectoral institutions helped develop Human Capital in Wholesaling SMEs? 7. How have sectoral institutions enabled Wholesaling SMEs to become competitive and to remain so through policy interventions? 8. What role, in your opinion, should sectoral institutions play in future to support the development of Human Capital in Wholesaling SMEs? Why? | 6. How have sectoral institutions helped develop Human Capital in Wholesaling SMEs? 7. How have sectoral institutions enabled Wholesaling SMEs to become competitive and to remain so through policy interventions? 8. What role, in your opinion, should sectoral institutions play in future to support the development of Human Capital in Wholesaling SMEs? Why? | Thematic Analysis |