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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter presents a background against which the problem statement of this thesis is discussed. It outlines the purpose and objectives arrived at after consulting the literature, examining the limitations in current literature and providing an overview of the research paradigm, design and method applied to reach the study objectives. The significance of the study as well as the contribution that the candidate desires to make is argued, followed by definitions of the key terms and concepts referred to in this. The chapter concludes with the structure of the thesis.

Broad-Based Black Economic Empowerment (hereafter referred to as B-BBEE) has been a sensitive subject since its introduction in 2004. It is also an issue in the current South African business environment. B-BBEE was introduced by government to fulfil Constitutional requirements, attain equality and provide easy access to the markets for the previously disadvantaged majority who had been excluded (Ryan, 2012:13). It aims to rectify previous inequalities and assist those who were historically disadvantaged in South Africa, the mostly black majority during the 1950's and onwards until 1994, under the apartheid system. The apartheid government-controlled access to markets and economic activities in various sectors. Conversely, it also meant that certain menial jobs were reserved for The Black, Coloured and Indian population. In addition, Afrikaans speaking people were granted greater access to top jobs. Most citizens did not have this privilege nor were they subsequently able to develop entrepreneurial skills within the business structures and were excluded from enterprise development. However, some citizens do manage to develop their enterprises.

One of the impacts of the legacy of apartheid was the disempowering of the disadvantaged majority described above at both the political and economic levels. Therefore, as mentioned above, the new democratic government had to intervene to correct the mistakes of the past to fulfil Constitutional requirements, attain equality and

provide easy access to the local and international markets and various business markets.

After the first democratic elections on 27 April 1994, South Africa's environment had to undergo significant changes. Perhaps the most outstanding change came in the shape of the empowerment strategies or to rectify the composition of disadvantaged groups in the economy (Kruger 2011:207), which had a huge impact on the private sector of the country. These actions were an extra tool and measurement initiative of the country's Constitution; therefore, initiatives had to be adopted to comply with legislation measures, aimed at addressing the legacy of apartheid. B-BBEE is a very important policy intervention by government and aspires to broaden the economy basis of the country by creating employment, stimulating economic growth and enterprise development.

Background

The literature in this study provided relevant in-depth background for this study, offering a significant body of knowledge about the implementation, the success rate of transformation, commitment and initiatives of the private sector. The difficulties that were experienced with the implementation were, for instance, the impact on redistribution, economic growth, and criticism of B-BBEE as one of the methods to fulfil and satisfy some of the expectations of the majority population that had been denied economic participation in the economy of South Africa (Kruger, 2011:208). Little in the current literature has been published regarding the differences between Small-, Medium- and Micro Enterprises (hereafter referred as SMMEs; these terms are used synonymously where "enterprise" denotes a legal identity), before the intervention of B-BBEE, compared to SMMEs since the intervention of B-BBEE.

Most of the authors of the said literature have focused on the main objectives of B-BBEE with a view to measuring or revealing its outcomes regarding empowerment and ownership. They have also emphasised the impact that the intervention has had on the previously disadvantaged people. Implementation of "racially segregated residential areas and the negative impact on ownership" and the exclusion of black entrepreneurs from participating in the economy may prohibit the acquiring of any business or entrepreneurial skills (Janse van Rensburg, 2010:37). This is also the view

of Pillay, Sikhakhane and West (2013:255), who point out that "...African workers were denied any rights in the work place which include political and economic rights".

It can be argued that apartheid purposefully and systematically restricted black entrepreneurs from participating in economic development. Self-employment and access to skills training were denied; the racial discrimination meant that they had to work under white people. It is therefore very important to take note and to understand what took place in the past and why the ANC needed to implement economic transformation that would be in the interest of all entrepreneurs in South Africa. The current discussion aims to explain the importance and value of B-BBEE as a process. Undoing the legacy of apartheid using interventions, which may transform SMMEs, will provide background to and offer a description of the scope and objectives of the study.

Before 1994, economic empowerment had already been established to the advantage of the white minority. It can therefore be argued that the whites were in a far better position and had the advantage of economic empowerment compared to the position of the disadvantaged majority in the country. Whilst the establishment of wealthy white entrepreneurs in South Africa who prospered from gold and diamond mining era due to apartheid and the system. (Kroll & Dolan, 2016:1). From the literature, the researcher acknowledges these unfair practices, but at that point in time, the whites were indoctrinated by the National Party, from parliament, public speeches, churches and schools. (Venter, n.d:4).

South Africa is a country which is regarded - and admired worldwide - as an example of a new democracy, with one of the best Constitutions in the world: Naido (2014:1) ratified by the Constitutional Court two years after the first democratic election held in 1994. South Africa is the youngest democratic country on the continent. The emergence of the new Constitution for South Africa was due to a long process of negotiations between the opposing parties. The negotiations were to establish a new democracy for equal rights. Schoeman (2013:1) views B-BBEE as "... the best weapon only to ensure growth for South African businesses".

The objective of the new Constitution was to redress economic imbalances, promote equity and to transform the economy. Various economic strategies outlined this process, of which B-BBEE is one. Moyo (2009:2) believed there may be a conflict between B-BBEE and the goal to promote SMMEs to generate income and create employment. Ryan (2012:7) concurred with this sentiment when he emphasised the importance of a sustainable income to alleviate poverty. South Africa is still classified as a developing country and therefore, along with many other countries in the same position, faces huge challenges and requires strategies to catch up with the developed countries (World Bank, 2011:23). The National Planning Commission (2011:2) emphasised South Africa's main challenges:

- Enhancing the interest of those people that were economically excluded;
- high levels of poverty exist more when inequality is extremely high;
- Apartheid distorted South Africa's global economy competitiveness;
- high costs and margins in both the state-owned enterprises and the private sectors contributed to some parts of the economy being uncompetitive;
- existence of poor quality of education including entrepreneurial and business skills;
and
- the ANC government's significant failure since 1994 led to changes how development and growth.

Since the democratic elections in 1994, when the African National Congress (ANC hereafter) took power, it was inevitable that the ANC, as the new governing party, should view B-BBEE as one of the most important issues on its agenda. Embedded in the Constitution (Constitution of the Republic of South Africa 108/1996), as explained, it was necessary to correct the legacy of apartheid government policies and political conditions that were still visible in the economy of South Africa. The introduction of the B-BBEE legislation has been met with resistance by previously advantaged people, as it affected not simply the way of doing business, but also their

partnerships, procurement patterns, access to tenders, tax rebates, strategy and decision making, as confirmed by Ballshaw and Goldberg, 2005:11 cited in Olivier (2011:13).

After 1994, the South African economy was left to deal with the legacy of apartheid and discrimination. This further accentuated the determination of the ANC to implement actions by drastically speeding up matters to rectify the wrongs of the past. Certain instruments to implement the strategy were put in place through the B-BBEE Act 53 of 2003. The focus of the Act, in short, is to provide a legislative framework to assist the ANC to overcome the wrongs from the past by promoting transformation and the right to equality as embedded in the Constitution. The scorecard in the Act address certain elements such as skills development, enterprise development and black ownership which are, crucial to the growth of the economy, redistribution of wealth and the development of the previously disadvantaged citizens.

B-BBEE is not the sole tool to combat injustice of the previous regime's conditions since new laws and policies were also put in place as remedial measures, such as the Employment Equity Act (Act No 55) of 1998 that makes provision for certain affirmative action programmes. The main purpose of B-BBEE is to be the key to transformation, aiming to overcome the legacy of apartheid in an effort to rebalance the inequities of the past. By implementing B-BBEE in the new South Africa, through means such as preferential procurement, which is race, ethnic and gender-based, residents are allowed to make their own decisions and participate in a prosperous, free economy. By these actions the African National Congress endeavoured to promote an equal distribution of wealth and income and an economy which is political and socially stable.

An examination of SMMEs prior to B-BBEE and after B-BBEE assisted the researcher to answer the primary research question.

1.3 Rationale for the study

The preceding sections discussed the critical nature of government interventions in the South African economy after 1994. The ANC's efforts to address the economic and social injustices inherited from the apartheid government were also described. Apartheid in South Africa caused a structural distortion of the country's economic

growth, reflecting a missing middle, especially in lack of small-sector firms (Annual Review of Small Businesses in South Africa, 2008:26). Enterprises influence a country's economic growth. The most important role or function of the B-BBEE act was to formalise a process for a regulatory state intervention, to accommodate and impart momentum to transformation in all spheres of the imbalances in the economy of South Africa.

Existing literature describes what B-BBEE provides as a process of implementation, the value and to measure the outcomes of the action. This refers to, for example, the progress of the black majority participating in the South African economy and other goals or strategies for the implementation of the Act, which are measurable through reports submitted by enterprises to the Department of Trade and Industry (DTI). These include ownership, skills development, achievement, success of representation and occupational presence on different levels by disadvantaged people (Burger and Jafta, 2010:5).

From the literature study, it can be concluded that *ex post facto* studies of the effectiveness of B-BBEE outcomes are based on measurable outcomes, but as indicated, no information is available of the impact on SMMEs, meaning on the enterprise itself and on the owners of businesses. For instance, do they have a better competitive advantage in entrepreneurship, managerial skills, running a business, financial knowledge and other factors due to B-BBEE intervention? Researchers' focus areas are the role that B-BBEE plays to evaluate the outcomes of the intervention, rather than the impact of the interventions on SMMEs themselves. The current literature assisted the researcher to determine, understand and explain certain concepts regarding B-BBEE.

The significance of the study is that it is particularly relevant to an investigation of the "transformation" of SMMEs and their owners that may lead to a better understanding of B-BBEE in the South African context as well as of its implementation, purpose, goals and impact on an enterprise and the employed workers of such an enterprise. Timm (2011:13) postulates from 1994 up to currently no study has been carried out on the impact of B-BBEE or preferential procurement on small business promotion. This gap

in the literature is addressed in this study because its focus is largely on management and ownership issues, resulting from B-BBEE intervention.

1.4 The research question

Before establishing the purpose and objectives of the research, a comprehensive review of existing literature pertaining to the research question was undertaken. This was necessary to enable the researcher to answer the latter. The researcher furthermore employed a qualitative approach for gathering data by means of in-depth interviews with SMME owners that are B-BBEE compliant in Gauteng (Appendix A).

The aim of the research question is to investigate whether there are *"...significant differences between SMMEs before the B-BBEE intervention and SMMEs after the B-BBEE intervention?"*

While the aim of the study is expressed in the primary research question, the research further aims to determine if the intervention influences the entrepreneurial skills of SMME owners and to establish whether B-BBEE has any effects on skills development in managing a business, as well as to investigate whether enterprise development is regarded as an important factor. Since there is little information available about the "transformation" of SMMEs due to government intervention in the South African economy, using the process of B-BBEE as a tool for reaching initiatives and goals by the state, this research attempts to establish to what extent B-BBEE intervention may play a role in differences. If the results scientifically indicate there is no true evidence of any differences or indicate the effects of B-BBEE on SMMEs, it will however accentuate that business owners must be BEE compliant as required by the B-BBEE Act.

The propositions of this research are:

- Proposition 1: Owners of SMMEs are not more capable of managing their business after B-BBEE intervention
 - Proposition 2: After B-BBEE intervention, the businesses' financial features indicated an improvement and
-

- Proposition 3: Business owners are not more entrepreneurially focused and oriented for survival of their businesses after the B-BBEE intervention.

1.5 Objectives of the study

As indicated, the primary objective of the study is to answer the research question: “...are there significant differences between SMMEs before the B-BBEE intervention and SMMEs after the B-BBEE intervention?” In the literature, much has been said about the purpose of B-BBEE, its proposed or intended influences in the South African economy. The importance of B-BBEE as a process was instituted by the government to empower the previously disadvantaged people of South Africa and to achieve equality, economic freedom and the enhancement of enterprise- and skills development. The researcher proposes that there are no differences in SMMEs before and after B-BBEE intervention. In other words, that B-BBEE had no influence on entrepreneurial skills and on how entrepreneurs manage their businesses.

It was not the intention of the researcher to judge the implementation of B-BBEE as a tool to transform both the micro- and macroeconomics and the different role players in this environment, nor does the research investigate the results or the focus of the state’s remedial initiatives to correct the injustices of the past. Furthermore, this study does not take the element of Affirmative Action or measures of remedial outcomes in general due to B-BBEE intervention into consideration. This study just focuses on SMME before and after B-BBEE intervention.

The literature discusses different meanings of the term ‘interference’ whether by legislation or the business environment. Ferreira (2007:7), quoting Pleva (2006:8), notes that a business intervention is the interference that may affect the interests of other people. In this study, the term ‘interference’ refers to the direct interventions of government to establish certain goals in the economy.

The literature discusses different meanings of the term ‘interference’ whether by legislation or the business environment. Ferreira (2007:7), quoting Pleva (2006:8), notes that a business intervention is the interference that may affect the interests of others. In this study, the term ‘interference’ refers to the direct interventions of government to establish certain goals in the economy.

1.6 Scope of the study

The scope of the study centres on analysing SMMEs before B-BBEE intervention and with SMMEs after the B-BBEE intervention instituted by the government. The study does not include a discussion of affirmative action and any remedial measures. To address the research question, the researcher discusses the various forms of interventions in some countries such as India, Nigeria and Germany. These countries were selected as examples of instances where state intervention had occurred.

According to the International Finance Group (2012: 86), India maintains a legal and regular framework as well as government supported interventions for SMMEs, ensuring an environment for growth and to increase access to financial services. Government interventions for SMMEs, as pointed out, also exist in Nigeria (World Bank 2012), and in Germany. In addition, Janse van Rensburg (2010:184) states that interventions by government are also applicable in Canada, which, along with the United States of America and Brazil, offers examples of countries where there have been interventions (Gavenda, 2013:1).

The relevant literature researched indicated that interventions in other countries are seen to be an imperative either to protect a certain population or to stimulate the economy, by government intervening in processes. There appears to be no significant data available regarding the results, possibly due to the different interventions that took place in each of the different countries. The need for intervention in the economy by the South African government is stated clearly by Ferreira (2007:7): For this study, the two terms, 'assistance' and 'intervention' are used interchangeably and include training, consulting, advising, supporting and encouraging black entrepreneurs to become owners of their own businesses.

As previously mentioned, the initiative, purpose and importance of B-BBEE, after two decades in South Africa as a constitutional empowerment policy, has not been scientifically established as beneficial for achievement by black people entering and participating in the South African economy. It is therefore essential to investigate if there are any differences between SMMEs before and after B-BBEE intervention, as a policy and as implemented by the ANC government. After two decades, it is

necessary to investigate whether B-BBEE intervention is indeed an effective policy instrument to address the social and economic discrepancies and discrimination of the past. Moreover, it needs to be established if SMMEs and their owners have changed markedly due to the said intervention.

The study does not compare different government interventions or their intentions or their outcomes, but in certain cases reference was made to - and there were discussions about - countries such as India, the United States, Brazil as well as the diverse interventions used in these countries. A few of these countries' interventions are outlined in Chapter 5 where B-BBEE is examined as an intervention for SMMEs in South Africa.

The scope of the study was to determine: *Are there significant differences between SMMEs before the B-BBEE intervention and SMMEs after the B-BBEE intervention?* Reasons for this scope were mentioned above. The researcher simultaneously sought to compare entrepreneurship and entrepreneurial skills of the owners of SMMEs, before and after B-BBEE intervention. He has endeavoured to answer the research question based on the feedback collected from the targeted respondents who participated in the in-depth interviews.

1.7 Research methodology

The theoretical study formed part of the research and primary data was gathered by means of semi-structured in-depth interviews of owners of SMMEs that are B-BBEE compliant. An in-depth interview involves interaction between a researcher and a participant (Yin, 2011:134). The information gathered from these interviews was transcribed and categorised into themes and sub-themes applying open and axial coding. This method is a way of ascertaining opinions, differences and perceptions of the enterprises. A semi-structured in-depth interview gives detailed information about the topic in question and is conducted in a very relaxed atmosphere with participants in comparison to completing a survey or a questionnaire.

Secondary sources were consulted to determine the relationship between SMMEs before and after the B-BBEE intervention. Such sources include books, articles, journals, reports, media releases, international policy institution, international research

material, South African governmental reports, academic journals, financial magazines, academic books, doctoral theses and masters' dissertations.

The population of this study consisted just of small-, medium- and micro enterprises that are BEE compliant as per definition set by the DTI, comparing amongst others, management control, skills development, enterprise development and entrepreneurial skills. As pointed out earlier, this research has never, to the author's knowledge, been done before and the data collected may be helpful in answering the research question in a scientific manner. This research also endeavoured to examine the proposition that B-BBEE interventions are solely about the quantitative output measurements that the B-BBEE Act requires from SMMEs, not the impact on the enterprise itself.

The research methodology utilised sampling, data collection methods and procedures, ethical considerations and data analysis that were aligned to the research aim and objectives and the underpinnings of the study. The in-depth interview protocol was designed to guide the researcher to draw scientific conclusions from the responses of 20 business owners that are BEE compliant regarding before and after B-BBEE intervention.

To conclude from the above sections, it can be deduced that B-BBEE is the most important challenge that businesses currently face in South Africa. The proposed study aims to contribute to the existing literature on this subject. In the light of the above discussion, this study investigates the situation more than two decades after the B-BBEE programme was launched and subsequently promulgated as an Act that was not legally enforceable.

The researcher also offers recommendations the role players about the stability and prosperity of SMMEs as well as to encourage SMMEs to understand the challenging initiatives that actively form part of B-BBEE. The study also highlights important elements of SMMEs playing a role in the economy. It will show that their survival rate is extremely low, which is also confirmed by the Department of Trade and Industry (2008: 2) in the Annual Review of Small Businesses in South Africa 2005-2007. There is evidence that new start-ups have a higher probability of failure but are much needed in the economy to contribute to the success of the business environment (Hallberg, date, quoted by Ferreira, 2007:8).

From the above sections, it can be deduced that B-BBEE is the most important challenge that businesses currently face in South Africa. The proposed study aims to contribute to the existing literature on this subject and investigates the situation more than two decades after the B-BBEE programme was launched and subsequently promulgated as an Act that was not legally enforceable. The purpose of the study was not to determine the success or failure of B-BBEE before and after intervention, but to contribute to deeper knowledge and understanding of the effect of B-BBEE in the enterprises themselves.

1.8 Outline of the study

A description of each of the chapters of the study follows:

Chapter 1: Introduction

In this chapter, the background in general and problem statement are introduced. B-BBEE is discussed as an economic intervention policy by the government aimed at fulfilling the new Constitutional requirements adopted after the 1994 democratic elections in South Africa. B-BBEE in compliance with the new Constitution aims to rectify the inequalities and discrimination, due to the legacy of apartheid, whilst the National Development Plan of the governing party is described as are the associated challenges.

Reasons are given in brief as to why B-BBEE was introduced as a tool to combat the injustices of the past, but also the legitimate reasons for legalising it by means of an Act. The primary research question was introduced: "...Are there significant differences between SMME's before B-BBEE intervention and SMME's after the B-BBEE intervention?"

The research methodology, academic value of the research and the limitations of the study are discussed; the chapter concludes with a summary.

Chapter 2: Theories of entrepreneurship, small businesses and the entrepreneurial process

Chapter 2 discusses the theories of entrepreneurship, small businesses and the entrepreneurial process. The theories are economic, psychological, sociological / anthropological, opportunity-based, cultural theories, opportunistic theories and theory of locus control. The theory of small business is described by means of the Gambler's Ruin theory, and the theory of small business performance. The entrepreneurial process theories involve the stakeholder theory. The different steps of the entrepreneurial process are discussed and the chapter ends with a conclusion of the chapter.

Chapter 3: South Africa's historical development, politics and economy

This chapter describes the history, politics and economy of South Africa and gives an overview of pre-apartheid history over several centuries as well as of post-apartheid history. The oppression of the black population in South Africa is discussed as is the effect of the apartheid era that disempowered the previous disadvantaged people

The chapter highlights the inhuman treatment of the historically disadvantaged people. Enhanced workplace segregation between Blacks and Whites led to pass-laws as an instrument of labour and influx control. A discussion on the government's implementation of legislation that imposed strict laws on living and working in urban areas and restrictions on moving freely around in South Africa is included.

The impact of the African National Congress and the influence of the struggle liberation that aimed to end the era of apartheid is addressed. A discussion follows on the objectives of the new government to address the legacy of apartheid, by combatting poverty and creating jobs to fight unemployment in South Africa.

The chapter aims to indicate the effect of discrimination and of denying certain ethnic parties a part in the economy, curbing their freedom of movement in South Africa, reserving jobs and allocation of government tenders for whites, and the allocation and

control of black businesses in townships to further the Government's aim to exercise control over black people. The chapter accentuates the importance of SMMEs by discussing the significance of the government's targeting them with B-BBEE as an intervention to accelerate transformation in all spheres in South Africa.

Chapter 4: Enterprise Development, definitions and characteristics of an Entrepreneur

This chapter describes enterprise development per definitions. Discuss the importance of enterprise development, the functions and value of development for an economy of a country. Services to stimulate enterprise development by government and non-government organisations are mentioned. The entrepreneur and his/her characteristics needed for enterprise development as well as reasons for these. It discusses how training and education are coming to be regarded as imperative for the critical success of establishing a culture of entrepreneurship in South Africa. This chapter demonstrates entrepreneurship as one of the production factors in South Africa's economy.

The chapter describes the different definitions of the abilities and talents of entrepreneurs undertaking risky ventures and how they should take the initiative to acquire the necessary capital and resources. The viewpoint of entrepreneurs regarding location is highlighted as well as factors playing a role in decision-making with respect to the market, labour and infrastructures. The strategies of the ANC government to ensure economic and enterprise development as a sustainable factor to create jobs and a more even distribution of wealth is explained.

Chapter 5: The role and the importance of SMMEs for economic development

This chapter discusses the role and importance of SMMEs for economic development, highlighting the contribution that small businesses can play in economic growth of a country. It further indicates the importance of successful SMME's that are of key significance for their contribution in delivering social and economic benefits, as well as the reasons for SMME's existing and the difference between various SMME's. Also discussed is their responsibility for creating many jobs, thus providing employment.

The importance of SMME's being which was highlighted by the DTI) that proclaimed and published the National Small Business Amendment Act in 2003, to support SMME's to them in being successful, is discussed.

The Local Business Centres undertaking (hereafter referred as LBC's) that was launched in the same year to support SMMEs focuses on the development of SMME's as a priority; the necessity for growth in the economy of South Africa is consequently discussed. The chapter describes one of the most important institutions, the Small Enterprise Development Agency (SEDA), in assisting the Government in certain key aspects such as poverty alleviation, economic development and the very crucial element of job creation.

This chapter mentioned earlier the Annual Review of Small Business in South Africa 2005-2007 and the development of SMME's in South Africa, skill development, the contribution to the economy's growth, obstacles to starting SMME's as well as hampering of business growth. The chapter demonstrates that there is limited evidence in the literature regarding the contribution of enterprise development in South Africa's economic growth. The importance of SMME's is highlighted concerning their roles in the creation of jobs, distribution of wealth and government's aid to boost this sector.

Chapter 6: Broad-Based Black Economic Empowerment in South Africa

In this chapter the history and origins of B-BBEE, the impact and the institutional effects of B-BBEE are discussed in relation to the focus of the liberation struggle. The chapter describes two decades of ANC rule until the year 2014, since the advent of democracy when the ANC came into power with affirmative action and legislation taking effect after 1994, regarding the economic affairs of the country and land distribution.

This chapter also considers how the ANC government has intervened since 1994 in the economy in various ways by forced legislation; following in the steps of global policy makers by putting more emphasis on SMME's to drive economic development

and growth. It shows how imperative the existence of B-BBEE to eliminate the competitiveness of the economy.

In this chapter, the main intervention, the initial Reconstruction and Development Programme (RDP) and its lack of progress, followed by the Growth, Employment and Redistribution (GEAR) strategy, is discussed as well as the legislation to address and to correct the wrongs of the past and existing inequalities. The chapter describes how B-BBEE emanates from various pieces of legislation regarding the transformation of the economy of the Republic, leading to South Africa's economic transformation. B-BBEE is examined as a general political issue, as is the way in which it was met with criticism. The modus operandi of interventions in other countries are described and compared to the situation in South Africa.

Chapter 7: Overview of the empirical study

This chapter considers the methodology of the study. The research design for the current study stemmed from thereby increasing the validity of the research findings, as it focuses on the logic of the research by gathering systematic and objective information on the representative sampling, in this case conducting a semi-structured interview. Sampling, research methods, data collection methods and analysis are discussed. Ethical considerations were maintained by obtaining informed consent from the participants of this study. The researcher guaranteed the participants' confidentiality.

This study presents a description of the research aims, objectives, selection procedures, equipment and material (semi-structured interviews). The population of the study was derived from SMME's that are B-BBEE compliant and doing business in Gauteng Province. The criteria's for the samples chosen were the following: only owners of SMME's, must be B-BBEE compliant, from the Gauteng Province, excluding Agriculture, Mining and Quarrying as well as Construction. The participants were members of Centurion Chamber of Commerce, who were not prepared to do a survey but prepared to an anonymous IDI, therefore the type of business sector, names or any figures were not to be mentioned or the contribution levels for qualifying as a SMME. From the information gathered, the researcher derived that all twenty was not

a level one contributor because BEE partners were not mentioned during the interview. The profile of the respondents were 18 white males, one black male and one white female. All the businesses were in operation for ten or more years. All of them were sole proprietors and no black BEE partners were involved at the stage of the interview.

Chapter 8: Analyses, interpretation and discussion of the empirical study

The chapter offers an overview of the findings and interpretation of the empirical research to determine the effect and impact of a B-BBEE intervention, with the emphasis on SMME's. The chapter aims to ascertain if the B-BBEE approach has a negative or a positive impact on SMME's and to analyse the data in a scientific statistical manner for validity, reliability and practicality. This chapter also aims to demonstrate that the researcher could interpret the data and to reach conclusions from the primary data based on the findings and analysis.

Chapter 9: Management, implications and recommendations

This chapter describes implications of B-BBEE and recommendations for role players, entrepreneurs, policy makers and the private sector.

1.9 Conclusion

The rationale for the study revealed that some research has been undertaken on SMME's, but mainly regarding the outcomes according to the Code of Good Practice or the contribution levels of qualifying small enterprises for B-BBEE status. These are explained, discussed and compared in the literature. The study therefore endeavours to compare SMME's that have received no intervention at all, with SMME's that went through the process of the B-BBEE intervention.

The problem statement of the study was discussed. A brief discussion of the study was presented, and its demarcation and key terms used were clarified. The scope of the study, its population and research methodology were described this chapter also discusses the contribution of the study and explains the limitations. Conclusions as well as a summary were provided at the end of the chapter.

The next chapter describes how the different theories of entrepreneurship and small businesses and the entrepreneurial process play a role in the economy. The chapter concludes with a summary.

CHAPTER 2

THEORIES OF ENTREPRENEURSHIP, SMALL BUSINESSES AND THE ENTREPRENEURIAL PROCESS

2.1 Introduction

Entrepreneurs play an important role in the economy: frequently they are barrier breakers in innovation and may be described as a species which thrives on challenges. In the South African context, they are needed to satisfy the needs of the residents of the country. Entrepreneurs originate from all gender groups and backgrounds (Rebekah 2013:31)). By growing their businesses, they will be more able to provide goods and services to satisfy their customers; this may well lead to economic growth, job creation for individuals and wealth distribution in the South African context

2.2 The theory of entrepreneurship

Dontigney (2018: 1) indicated that entrepreneurs are defined according to varying descriptions by different authors, but that there is a gap in explaining “the phenomena of entrepreneurship itself”. In the literature the existence of several theories can be found, to be discussed in the following paragraphs. Bula (2012:83) mentioned a few entrepreneurship theories for example: Marshall’s approach to entrepreneurship (1949); the social enterprise school; the Schultz approach (1975); the equilibrium destruction theory by two different authors who devised the same approach, Schumpeter and Knight (1971).

2.2.1 Economic theories of entrepreneurship

Nieman and Nieuwenhuizen (2009:5) echoed Cantillon (1755) and Say (1815) indicating that entrepreneurship originated from economic science; such people are regarded as risk takers. The main goal of entrepreneurs is to run a business with the goals of surviving in a turbulent economic environment and making a profit. Economic theory enhances and focuses on the economic environment and conditions, taking into consideration all the opportunities entrepreneurs undertake. Criticism of this theory is that it tends to ignore the continually-evolving free market environment.

Another view of economic theory by Bennet and Chatterji (2017:6) also discusses entrepreneurs pursuing entrepreneurship.

The researcher concurs with the above findings, although they lack the following elements. Growth, making profits and employment are all closely linked to the state of the economy of a country. The main goal of making profit could be jeopardised due to unforeseen economic climate changes such as a recession, or alterations in the taste or preferences of the customer. The state of the global economy will certainly play an important role in managing and operating a business, whilst government legislation influencing SMME's is not addressed in this theory.

2.2.2 Psychological theories of entrepreneurship

Psychology is a factor in the theory of entrepreneurship, being a science emphasising the understanding of why and how individuals think, behave, their feelings and motives (Visser & Moleko, 2012:5). Emotional and intellectual elements are part of the psychological makeup of individuals, which will differ from person to person. Entrepreneurs with certain psychological entrepreneurial elements will have a strong drive for creativity and achievement, motivation, innovation, determination, self-confidence, and acting independently.

According to Kalkan and Kaygusoz (2012:1) entrepreneurship is mostly involved with management, administration and the economy but is also affected by many variables. Psychological theory defines entrepreneurship as “an individual behaviour or attitude” (Kalkan & Kaygusuz, 2012:2) to challenge and innovate, to improve existing systems and procedures, to create new ways of doing things. More variables that may be applicable are the motivation of an individual to become an entrepreneur, as Rathod notes (2017:1), together with the need for achievement, the dynamics of how people react, behaviours, emotions, cognitions, motivation, perceptions and other factors such as policies or any competition.

A critique of such theory is that psychological behaviour differs from person to person, may well alter on a regular basis and is therefore not static. If a person possesses the above-mentioned characteristics, these are not necessarily regarded as guaranteeing that he or she will be a successful entrepreneur. Some irrational decisions might be

made by entrepreneurs when they are emotionally unstable or influenced by emotional variables. Certain qualities (variables) for one to be a successful entrepreneur are reliability, self-confidence, perfectionism, skills, ambition, being decisive and possessing integrity. One's own psychology may influence whether these attributes are effective or not, according to Bula (2016:9).

The external environment is also an uncertain variable that must not be underestimated. Certain methods that are familiar to entrepreneurs cannot always be followed to solve a problem, due to changing emotions or peculiar circumstances.

2.2.3 Sociological / anthropological theories

Moleko and Visser (2012:6), describe sociology as the field of study which proceeds towards understanding the causes of an individual's behaviour in social situations. Dontigney (2018: 2) explains that people engage in social networks, seeking a better life, exploring the social-political environmental factors and looking for ethnic identification. In this respect, Bula (2012:87) stated, "entrepreneurial ventures are clearly social entities", from start-up. Since their owners make choices (for instance, as a solo entrepreneur undertaking entrepreneurial activity or forming an enterprise making use of teams, or by linking up with and recruiting entrepreneurs, deciding why, how, when and whom to engage with to start a business), it can be argued that entrepreneurship will establish a psychological contract which will involve a situation of give and take transactions where two or more people are involved. Sexual orientation is part of the theory which is according to Bula (2012:87), the way in which people associate with others in terms of ethnicity, gender or age.

Choices therefore reflect the way the entrepreneur chooses teams, persons or technology for his / her business. Entrepreneurs may scan the sociological environment, taking risks in participating in the economy of the country. It is crucial that they must be involved from the beginning of the venture till it is viable and established. In the literature dealing with anthropological theory the emphasis is more on the discussion of social involvement. Anthropology is described by Ericksen and Murphy (2013:65) as the study of social relations between humans and the emphasis on moral human diversity. New people joining the venture may not be suitable and cannot cope. The role of ethnicity in the said theory is also a factor that plays a part in

influencing possible entrepreneurs. South Africa offers a clear-cut example where ethnicity plays a role. Previously black people were not allowed to take part in the economy of the country. This will be discussed in detail in chapter 6. Ethnicity does play a role, but it is not essential for one to be innovative or to be a successful entrepreneur.

2.2.4 Opportunity-based theory

According to Pramanik (2015:2) the emphasis of this theory lies in “opportunity”. Business opportunities can always be expected: the entrepreneur must continually be on the lookout for opportunities. This requires that all sources available to the entrepreneur must be used to their optimum capacity. Entrepreneurs regard changes as a norm and a necessity, exploiting any changes as an opportunity; they are opportunity focused (Drucker 1985:143).

According to Cameron (2014:35), opportunities will always exist provided there are entrepreneurs who observe and exploit them. Entrepreneurs are therefore opportunists scanning the environment for possible and viable opportunities to start a new venture. A critique which could be advanced against this theory is that an opportunity does not always guarantee success.

2.2.5 Cultural theory of entrepreneurship

Entrepreneurs are considered as an important contributor to a country’s economy: their role is to manage and organise a business. According to Chetty (2016:2), the different theories of entrepreneurship are important and relevant for starting businesses which will equip entrepreneurs to perform better. Chetty (2016:4) adds that entrepreneurs are ambassadors reflecting their culture. It is their responsibility to make sure that the cultural values are applied in their specific environment. This theory provides knowledge on effective and traditional entrepreneurship.

The given theory is also based on the assumption that entrepreneurial individuals possess complete knowledge of cultural and social power. They emerge from certain socio-economic classes; therefore, the theory is founded on the supposition that entrepreneurs must have special managerial leadership skills, with the aim of making

a profit. Entrepreneurs must still be risk takers and be involved in specific social cultures.

There is a diversity of cultures worldwide. To understand and acknowledge every single culture is not always possible. There is a complex difference between various cultures that must be taken into consideration. One might mention the economy and the entrepreneurs from the first world economies that culturally differ considerably from the third world economies and cannot be compared due to the vastly different ways of doing business. Culture must not be ignored but must be taken into consideration by entrepreneurs with their innovative ideas, developing new products and aware of the issue of *productivity*.

2.2.6 The theory of locus of control

Locus of Control is defined by Gibson, Ivancevich and Konopsky (2012:297) as a characteristic describing people / entrepreneurs who perceive the control of their own lives as coming from the inside of themselves and not controlled by any external factors. Rathod (2017:2) supports this theory, indicating that it focuses on the degree that one believes in oneself, holding that he or she is in control of his own destiny, whether external or internal.

Locus of control is perceived by Bulmash (2016:171) as having personal control and not being at the mercy of external influences. This construct is regarded as a link between the entrepreneur's responsibilities and their weaknesses. Entrepreneurs with an extreme locus of control seem to be more persistent, more challenging and perceive themselves as contributing to their success. According to Bulmash, an internal locus of control is also associated with general health, satisfaction and higher levels of work

The researcher's observation on this theory is that it propounds more or less the same as the need which is a central tenet in achievement theory. He is of the opinion that more research needs to be carried out on this aspect. It is not applicable only to entrepreneurs; persons who are not operating their own business might also be internal entrepreneurs, for instance the head of a department

2.2.7 The resource-based theory

The resource-based theory emerged from the field of strategic management where researchers investigate firms to establish why certain businesses have a competitive advantage, performing better than the others. Kellermans, Walter, Crook, Kemmerer and Narayanan (2016:27) and Lekhanya (2016:4) are of the view that potential enterprises consist of a “pool of resources and capabilities”. The performance and the strategy determine the performance of the business. Lekhanya assumes, though, that all businesses in the market have access to the pool of resources and therefore that there is no competition in the market.

Entrepreneurship and a sustainable business are not mutually exclusive, according to Cradio-Comis, Cavera-Taulet and Iniesta-Banillo (2017:6). The authors regard the resource-based theory as concentrating on a sustainable combination of entrepreneurs to recognise opportunities. They adapt easily to the dynamics of the internal and external environment, are highly competitive with resources at their disposal, and aim at a sustainable business.

The view of this theory is that a successful enterprise will, in the future, encounter competition in the market, creating unique and distinctive capabilities. The theory holds that due to competitive performance and advantage the outcome will be a firm-specific outcome. A critique of this theory is that the “resources” mentioned are not specified and addressed. Not all resources are always available or useful and there are competitors in the market.

2.2.8 Summary

Taking all the above-mentioned entrepreneurship theories into consideration, the author concurs that these represent his own theory of entrepreneurship, dealing with the appropriate mind set to become an entrepreneur. It is a person’s own decision to become one or not.

Furthermore, he argues that entrepreneurs with a unique talent and a strong locus of control believing in faith, have the passion and curiosity to start a business.

2.3 Theory of small businesses

The definitions of these businesses are explained later in Chapter 5.2; there are varying definitions applicable to different countries. The term 'firm' is a synonym. Such businesses are associated with Small- Medium- and Micro- enterprises. Critical elements according to Alvarez (2010: 12) include the profit goal, while different attributes such as legal requirements, cultural ones, and the interaction between entrepreneurs resulting in the existence of contracts constitute part of the different descriptions.

2.3.1 The gambler's ruin theory

The Gambler's ruin theory described by Coad, Frankish and Storey (2013:617) identifies resources for the sustainable survival and performance of a business. Optimal use of available resources will reflect the capabilities and performance of an enterprise. The authors use as an analogy the behaviour of gamblers. Coad, Frankish and Storey (2013:618) depict a gambling table, with gamblers "busy playing a game of chance". This is directly linked to entrepreneurs starting a business as a game of chance, possibly the chance to start a successful and sustainable business. As indicated, the aim of such a business is to be a profit unit, a point Coad, Frankish, Roberts and Storey (2013:619) also make.

2.3.2 The theory of small business performance

According to this theory (see Kimani, 2016:4), the performance of enterprises is defined as the manner or the extent to which the business is able to satisfy the needs of the business, stakeholders and consumers. Small businesses are described as a productive unit of inputs and outputs, in the form of goods and services. Different performances of an enterprise can be measured to establish its success: internal financial performance, non-financial performance and external non-financial performance. This theory could be critiqued in that too great an emphasis is placed on the financial element of an enterprise. The issue of human capital is not addressed, and in any case the entrepreneur and employers must not only be considered as assets but also treated as human beings. Without them an enterprise cannot be established, exist or survive as a productive unit.

Botha, van Vuuren and Kunene (2015:57) also emphasise points made earlier: that certain attributes and competencies of an entrepreneur are necessary for business success. The ultimate conclusion is that a person is the beginning and the end of an enterprise. This person is the entrepreneur who will take the risk to start a business; the latter is a “business unit” with the goal of making profit. The researcher reiterates that an SMME cannot come into existence without an entrepreneur.

2.4 The entrepreneurial process theories

The entrepreneurial process begins with an entrepreneur who considers founding a business. To do so there must be an idea of the new venture as a starting point. The process starts with the question, why? For survival, profitability and perhaps prosperity (Kellermans, Walter, Crook, Kemmerer & Narayanan, 2016:29).

Lekhanya (2016:4) supports Ballinger (2012:1) in remarking that new enterprises need to have the correct systems in place to be successful. These include an understanding of the elements of business growth and effects on growth, how to survive, systems and *methods*. According to Bennet and Chatterji (2017:10), traditionally it has been difficult to identify an entrepreneurial process, due to the variance in kinds of entrepreneurs and their ideas. If the locus of control of an entrepreneur is high they will be on the lookout for business opportunities and may conduct cost-benefit analyses to receive a higher return on their time, investment and resources used to reach the goals.

The important step is to develop an important strategy to pursue innovation, survival but also sustainability (Hossain 2015:1), The entrepreneurial process also involves entrepreneurs marketing their businesses, as Phua (2013:25) indicates.

2.4.1 Stakeholder theory

This basis of this theory is “managing organizational relationships as an important asset of a firm”, in the words of Lekhanya (2016:14). Without this asset the business cannot acquire supplies needed to satisfy customer needs and resolve customer problems and will have no access to other resources to generate revenue. The more, and the more creative, collaborations there are between stakeholders, the better the

performance of the enterprise Lekhanya (2016:16) is of the opinion that respect and trust are the most important elements of collaboration and effective communication. Nonetheless the theory does not address the complexity of the economic, social and political environment in which a business operates. All these factors comprise part of an enterprise's "stakeholders" and could have a huge influence on the performance of the business. The continuously evolving environment in which a business must operate is also not addressed, in the view of the researcher.

2.5 Conclusion

From the above discussion of the literature it is clear that the human being called an entrepreneur is the one who starts a business: it may represent her or his dream, where she or he is prepared to take the risk, to be innovative and motivated. A small business cannot start or exist without an entrepreneur. Such an enterprise is therefore regarded as a business unit, providing goods and services to satisfy clients' needs. As noted, the ultimate goal is to make profit. However, survival and existence are totally dependent on the entrepreneur, taking risks, looking for opportunities and being innovative in the market.

The next chapter discusses the historical development of South Africa, its politics and economy, offering a brief history of South Africa's politics before 1994, its impact on the South African economy and the political and economic position of a post-apartheid South Africa. The chapter concludes with a summary.

CHAPTER 3

THE HISTORICAL DEVELOPMENT OF SOUTH AFRICA, ITS POLITICS AND ECONOMY

3.1 Introduction

The history of South Africa involves long-term effects of events from the past that impacted on economic development worldwide (Nunn, 2013:349). To understand the when, why and how of Broad-Based Black Economic Empowerment's origins, a brief history of South Africa and its economy is needed. Before 1994, the majority of aspirant black entrepreneurs in South Africa did not play a major role in the economy, nor did they have any access to economic resources. Blacks in South Africa include Africans, Coloureds and Indians). Black entrepreneurs were also excluded from economic, entrepreneurial activities, enterprise development and economic development. To understand the effect of the historical development and economic background of South Africa, one needs to understand some of the chronological events that took place in South Africa.

3.2 The historical development and economic background of South Africa

The historical development of South Africa and its impact on the South African economy must be seen in the light of the periods before 1994 and after 1994. Before 1994, South Africa contained sovereign republics. In the early 1850s, they were known as the Republic of Natalia; the Republic of the Orange Free State and the Republic of the Transvaal as depicted in Figure 2.1.



Figure 3.1 Map of the Boer Republic

A brief discussion of South Africa's history of politics and economy in the period prior to 1994, is offered in the next section.

3.3 A brief history of South Africa's politics and economy before 1994

A brief history of South Africa's politics and economy is illustrated in Table 3.1.

Table 3.1: A brief history of South Africa

Period	Situation in South Africa	Source
19 th century	South Africa was annexure and became part of the British Empire. Cape of Good Hope important for the route to the east for the British Crown.	Venter (n.d:2)
1806 onwards	Annexed by the United Kingdom as part of the Crown Colony. <i>The Early History of Africa</i> (Kruger, n.d: 5-42) describes the evolution of African societies; for instance, the early inhabitants such as the Khoisan (the San and the Khoikoi). Black tribes play a vital role becoming resistant against oppression. Slaves were imported from Africa to work as slaves in the households of European people. European countries played an important role, such as Portugal, Netherlands and France.	
1912-1948	ANC elected office bearers: Dube in 1912 and other presidents of the SANNK, later the ANC, until Mandela was selected as 11 th president of the ANC. The Voortrekkers came to the fore, aiming to escape the rules and legislation of the British Crown. Migrated from the Cape to the North of South Africa) and become known as Voortrekkers.	Kumalo (2008:1-4) and Mtshiselwa, 2014:67).

	<p><i>(cont....)</i></p> <p>Voortrekkers established sovereign Republics Great Trek took 3 years.</p> <p>Voortrekkers established sovereign Republics Great Trek took 3 years.</p> <p>Wars between the Voortrekkers and British empire (Anglo-Boer war).</p> <p>South Africa known as Union of South Africa Blacks played no role in the economy.</p> <p>National Party (NP) won the general election, influencing the economy, amongst other sectors: Blacks, Indian South Africans and coloureds were excluded from participating in the economy.</p>	Janse van Rensburg (2010:27-28).
After 1948	<p>The apartheid regime began to govern (Afrikaners are still powerful players in the South African economy as are many other white people).</p> <p>The regimes established rules, regulations and stipulated where the black people could work.</p>	
	<p>Segregation between whites and blacks took place in the workplace.</p> <p>Different trade unions evolved.</p> <p>Government did not recognise trade unions until 1979.</p>	Pillay <i>et al.</i> , and Bhorat, Naidoo Yu (2014:3).
1950	<p>Passive resistance occurred: ANC (African National Congress and PAC evolved.</p>	Twenty-year review South Africa 1994- (2014:148).
1952	<p>An Act termed Native Abolition of Passes and the Co-ordination of Documents was passed: Blacks needed a pass book (Dompas).</p>	Breckenridge (n.d.:225-240); More (2014:5) and Pillay <i>et al.</i> , (2013:152)

	(<i>cont...</i>) Huge inequality characterised this period of living standards (some white people were rich, whereas blacks were deprived of opportunities).	(Chetty, 2009:17).
1954	Native Urban Acts were promulgated that denied black people education, or following a profession, so that they had very few job opportunities.	South African History Online.
1960	Sharpeville massacre occurred. The Black Sash Movement” opposed the Apartheid government. Women had to wear black to fight for their rights outside government offices	Pillay <i>et al.</i> (2013:160)
1961 1963	Umkhonto we Sizwe (MK) (the military wing of the ANC) originated between ANC and PAC (its armed wing was <u>Pogo</u> , later renamed the Azanian People’s Liberation Army or called APLA) and sabotaged electricity lines, public buildings and government buildings). Several incidents occurred, forcing negotiation with the Government: <ul style="list-style-type: none"> • Underground actions (attacks across the borders e.g. Angola, Mozambique as examples of public places, electricity and railway lines and bridges) • Arrests of ANC commanders in Rivonia. 	Kasrils, 2016:1.
1964-1970	Homelands were established where black people were forced to live.	Pillay <i>et al.</i> , 2013:148). Ehrenreich-Risner (2013: 5-7).

Period	Situation in South Africa	Source
1979	<p>Different trade unions were established.</p> <p>Government did not recognise trade unions until 1979.</p> <p>FEDSAW was founded (the Federation of South African women) and advocated for voting rights, equal job opportunities coupled with equal pay, removal of discriminatory laws and free education for all.</p>	Pillay <i>et al.</i> (2013:146).
1980	<p>MK sabotages targets such as:</p> <ul style="list-style-type: none"> • The Koeberg Nuclear Plant • The South African Air Force's headquarters. 	Kasrils (2016:1).
1990	<p>FW de Klerk inaugurated as new president on 20 September 1989 (the last white president of the Republic of South Africa).</p> <p>Played an important role in making way for a new democratic South Africa.</p> <p>He unbanned the ANC as a liberation movement (2 February 1990).</p> <p>Released Mandela (11 February 1990), President of the African National Congress (ANC).</p> <p>New free democratic election was in sight.</p>	Venter (n.d:3).
1994	<p>The first democratic government in South Africa was elected in 1994 with a new Constitution.</p> <p>ANC became the winning party and began to rule South Africa</p>	Venter (n.d)

The above-mentioned factors had an impact on the South African economy and are discussed below:

3.4 Impact on the South African economy

Looking back at the previous discussion as set out in Table 2.1, several comments can be made regarding the impact of the South African politics on the country's economy. The political economy of a country is focused on the patterns of disparity

that are present in a capitalist system, which is intrinsically unequal economically, to say nothing of the side effects it has on social elements (Hart & Padayachee, 2013:55-56). The system under the government of the National Party led to racial discrimination against blacks, their segregation and unemployment. Van Scheers (2010:1) discussed discrimination in terms of issues such as ownership, entrepreneurial, managerial and economical skills in general which had a ripple effect on entrepreneurial skills, business skills decision making skills and access to social and physical structures.

Authors such as Chetty (2009:29); Kruger (2011:208); Ferreira (2007:7); Olivier (2011:27) and Moyo (2009:13) have asserted that political intervention plays a role in economic affairs. Due to the inequality in the way wealth was distributed, the participation of blacks in the economy was racially skewed, with poverty and the oversupply of unskilled labour as a burden for South Africa as a potential developing country and her economy. It was clearly stated in The Extension of University Education Act (Act No 450 of 1959), that Black people were prohibited from attending any white universities in South Africa (Janse van Rensburg, 2010:33).

Pillay *et al.* (2013:212) mentioned that the rest of the international community indicated its condemnation of what was happening in South Africa, whilst pressure to reform began to influence the economy of South Africa. Examples of this were the Chase Manhattan Bank of New York which stopped doing business and caused the rand to drop by 35% in value. This had such an enormous impact in 1985 (Pillay *et al.* (2013:2011) the Stock Exchange and the South African Reserve Bank were obliged to close for a week and reschedule their debt repayments. The British owned Barclays Bank sold its entire South African bank network; import bans were instituted on iron, coal, steel textiles, uranium and steel from South Africa. Examples of some businesses are General Motors, General Electric and IBM, which are multi-national companies, withdrew all their investments in South Africa with immediate effect at that time.

These sanctions had a negative effect on the South African economy; the income of South Africans, whites fell, while unemployment and inflation increased to a staggering 18.4% (Pillay *et al.*, 2013:212). Further economic issues faced the National Party: the unemployment rate of black South Africans increased, and the inflation rate rose.

Imports became expensive, which led to a hike in prices of basic consumption goods, resulting in an increasing debt due to a lack of foreign investment.

Pillay *et al.* (2013:74) hold that unfair policies and inequalities and the struggle for freedom were not restricted to South Africa alone: there were many other countries that experienced the same scenarios, such as for example, the Congo achieved independence from Belgium on 30 June 1960, ending the view of Africans as barbarians; civilians were granted the legal right to own property. It needs to be noted that this scenario only occurred after becoming independent. It also brought an end to slavery, the severe punishment of amputating limbs or the massacring of entire communities if quotas set by Belgium were not met. The newly elected government aimed to provide better living conditions, economic development, prosperity, peace and the end of racism.

On the other side of the Atlantic, although slavery ended in 1865 in the United States of America (USA), African Americans still experienced racial inequality and discrimination. Segregationist laws were still in place and they were obliged to pass literacy tests to enable them to vote. Like Nelson Mandela, Martin Luther King (also a fighter for the rights of black people) became the spokesperson against injustice, unjust laws and racial segregation in the USA. (Pillay *et al.*, 2013:376).

Trade unions formed alliances in South Africa that contributed to the struggle for freedom and thereby weakened the economy including that of government. The National Party government was clearly aware that there was an increasing pressure to change economic and other policies and realised that transformation was essential in South Africa (Venter, n.d.:3).

In his struggle for democratic freedom and equal rights, Mr Nelson Mandela, the first black President of South Africa, had an impact on South Africa's economy after years spent in jail alongside his comrades. His influence affected economic development and growth, wealth, unemployment and other sections as well as bringing about a new era in a divided trade, immigration, and aid (Klopper, 2010:6). When Mr De Klerk set free the world's most famous political prisoner on 11th February 1990, the timing was right for launching a new democratic country. The ANC and the Communist Party were

unbanned as liberation movements on 2 February 1990, in the National Assembly of the South African government; political prisoners were freed and various security and discrimination regulations were abolished. This had a positive impact on South Africa's economy about economic development and growth, wealth, unemployment and other sections as well (Klopper, 2010:6).

For the first time in the South African history a free democratic election was in sight. The negotiation process, between the ruling government and the ANC with its minimal political power, was harsh. The aim was to negotiate for a smooth transition to an inclusive democracy and to overcome the apartheid legacy. The first democratic government in South Africa was elected in 1994 with a new Constitution (Venter, n.d.:4) and the new government, dominated by the ANC as the ruling party, inherited an economy in a structural crisis, but with a mandate to reverse the inequalities of the past in all spheres.

Significant economic and political changes took place before and after the 1994 democratic elections. There was the struggle of blacks against discrimination and inequity that led to the prosecution and imprisonment of ANC members and their leaders. The ANC put legislation in place to address the wrongs of the past, by allowing free participation for all the inhabitants of the country in economic and business activities. The Department of Trade and Industry's Annual Report of Small Business in South Africa 2005-2007 (2008:26) mentioned that a development strategy was devised to address these problems, include waiving regulatory restraints and assisting SMME's with B-BBEE.

3.5 The political and economic position of a post-apartheid South Africa

The legacy of apartheid has left the greater part of the South African population disempowered, politically as well as economically. The negotiations paved the way for the first democratic election in South Africa, and the date was set for 27 April 1994. The ANC won the election with an overwhelming majority; its leader, Mr Nelson Rolihlahla Mandela, was appointed the first President of a new democratic South Africa and, as indicated, the first black President of the country, for the period of 1994-1999 (Twenty-Year Review, 2014:1-21).

With the first democratic elections won, the ANC government instituted legislation to promote redressing the wrongs of the past. Janse van Rensburg (2010: 40) reported that economic advancement was a major cause and priority for the ANC when elected to govern the “new” South Africa. When the ANC took power, it inherited huge economic problems from the former government. The economy was at a low growth level; a high unemployment rate amongst blacks was the order of the day due to reasons noted: a lack of adequate education and working skills, poverty, inequality, low investment rates, a low economic growth rate and disinvestment. The Government of National Unity adopted a platform called the Reconstruction and Development Programme (hereafter referred as RDP), in an attempt, with the NP representatives, to erase the history of South Africa (Pillay *et al.*, 2013: 405).

Mr Mandela’s successor, Mr Thabo Mbeki, faced major challenges and encountered the huge task of continuing the transformation of South Africa as an equitable and stable society, while walking in the shadow of his predecessor. He advocated the empowerment of women in all spheres, social and economic challenges for black South Africans and better employment. The new president’s vision was an economic policy based on free-market policies to attract foreign investors and build the infrastructure of the country. He presided over the longest period, since the Second World War, of positive economic growth of the Republic of South Africa. He played a major role as chairperson of the newly founded African Union in 2002; and took part in forming a partnership between India, Brazil, and South Africa (IBSA). Throughout Africa and elsewhere, Thabo Mbeki was a mediator, policy maker and above all, an intellectual leader (Gumede, 2007).

The impact of the new Government of National Unity was reflected in that South Africa re-joined the United Nations Organisation as a member, became the 53rd member of the Organisation of African Unity and re-joined the Commonwealth, while sanctions against the country were lifted (Giliomee & Mbenga, 2007: 329). Pillay *et al.*, (2013: 322) claim that the new Constitution of South Africa “is regarded as one of the very best in the world and enjoys international claim [sic], especially because our country is still a very young and emerging democracy”.

Lundahl and Petersson (2009:1-2) stated that there was still a large concentration of white people who had been favoured by the previous government; the statistics motivated their theory: Africans earned 9% of what whites earned in 1993, which was still the same percentage as what Africans had earned in 1917. The government was faced with very sensitive issues such as dealing with the inequality of wealth and the redistribution of land. The authors provided further statistics that before 1994 the wealth distribution in South Africa was so skewed that 5% of the population in South Africa possessed almost 90% of the total wealth.

Lundahl *et al.*, (2009:2) argued that the ANC was too much concerned about skills development, labour absorption, red tape in the government and the adoption of an economic philosophy of economic growth, to reduce inequality and improve quality of life, and therefore needed a successful state to create this. This was one of the macro-economic objectives such as economic growth, price stability and fair income distribution (Mohr *et al.*, 2015:88). This indicated that South Africa had two main economic problems to solve: increasing the economic growth rate and improving the distribution of income, wealth and social services.

According to Chetty (2009:40), the ANC government needed to put legislation and structures such as the RDP in place to facilitate economic empowerment. This policy was adopted and implemented to support macro-economic strategies which included employment, economic growth and redistribution. The government's main objectives in promoting this programme were to encourage economic growth through increased competition and to root out monopolistic behaviour (Kloppers, 2010:5).

A part of the aim of this platform was to focus mainly on establishing a programme of meeting the basic needs of the people. The objectives were to reduce the debt of the state, enabling more black ownership through putting in place certain pieces of empowering legislation and principles, mobilising capital investment from the private sector and investigating all State-Owned Enterprises (SOEs) regarding their competitiveness in terms of privatising options or their restructuring to make services available at a low cost to benefit the historically disadvantaged groups in South Africa.

The financing of this programme was achieved by the allocation of funds from the national budget. Some of the aims of the RDP were to reach a 5% growth at the end of the millennium, to create at least 300 000 jobs, to support SMME's and to reduce the budget deficit. The RDP was nonetheless unsuccessful; reasons will be explained later about the problems the ANC encountered (Lundahl, *et al.*, 2009:4).

The ANC faced major challenges, especially about transforming the country without racial discrimination. The ANC needed funds to keep its election campaign promises to turn the economy of South Africa around and because of a bankrupt country. The Government identified certain SOEs for privatisation. A decision was made to sell some small state enterprises, which included Ariva Kom and Aventura. The South African Airways and Telkom sold a portion of their shares in the private sector (Kloppers, 2010:4). The Growth, Employment, and Redistribution (GEAR) programme, the B-BBEE policy, and its Affirmative Procurement Policy were once again enhanced as discussed in Chapter 6.

Lundahl & Petersson (2009:1) quoted the International Monetary Fund and stated that the South African economy had moved from a democratic government to overall positive territory for the first time since 1994, successfully navigating the transition from apartheid to democracy. Borat *et al.* (2013:3) presented data about economic growth from 1994 till 2012 and noted that the South African economy recorded a growth rate in its Gross Domestic Product of 3.28% (hereafter referred as GDP). For the consecutive two years, between 2005-2006, a successful 5% growth in GDP was recorded.

South Africa shifted from a historically main contributor of employment to dominant white Africans to an economy to take part in a competitive global economy. Major difficulties still faced the ANC; there were economic issues that needed attention. Economic growth was needed to redress the issues already noted, distribution of income and wealth and to provide social services, even during the recession in 2008 and setbacks in global economies.

The question of economic growth overall, to build a mixed economy, to prevent stagnation and address inflation were problems that needed urgent attention. It came

as a shock and a surprise for the ANC that the RDP programme turned out unsuccessful in terms of what it had aimed to reach. The main reason was the lack of experience and structured administration, so that the implementing of the plan was inefficient and delays existed in spending the money allocated for the purpose for which it was called into life.

It was a major embarrassment when the ANC discovered in 1996 that the RDP was built on several unrealistic assumptions in terms of goals that had not been reached and that the creation of infrastructure growth of 21% per annum emphasised that a lower wage would have shown a decrease in unemployment and training to increase productivity. The most critical part of the RDP was the growth rate (Lundahl & Petersson, 2009:5). This was 1.4% in 1993, 3% in 1994; the 3% reflected a very low figure in terms of realising the promise made before the elections, through public investments.

The biggest industry in South Africa, the mining industries, contribution to the GDP dropped from 11% in 1994 to a mere 5% in 2012, due to strikes and riots, and therefore declined steadily to 5% spread over eighteen years to just 3% in 2012. The same trend was taking place in the manufacturing sector that also remained stagnant. Poverty was still a major issue, with Africans remaining relatively poor in comparison to Whites, Coloureds, and Indians (Bhorat *et al.*, 2013:6). The RDP had to be terminated because spending as a form of injection of resources into the economy by the government was unsustainable. The departure of the Nationalist (previously) ruling party left the ANC, who were inexperienced in governance, in a political and economic policy wilderness. This raises the question of whether this was consciously one of the reasons the Nationalists left the Government of National Unity: because they were ashamed of their contribution and participation in implementing the set goals for the RDP.

The ANC adopted the Growth, Employment, and Redistribution (GEAR) policy as an initiative to replace the RDP project. Although all the goals of the RDP initiative remained in place, GEAR embarked on a new strategy. Its priority was to reach a growth of 6% annually, creating 400 000 jobs every year until 2000. This strategy would hopefully have attracted foreign investors, created a stable macroeconomic environment, led to clear policies, reducing the balance of payments deficit by means

of hands-on and tightly controlled monetary and fiscal policies. Finally, according to Lundahl & Petersson (2009:6), the intention was to make sure that the income of the government was well redistributed to those who needed it the most. These authors also mentioned that there needed to be a focus on macroeconomics so as to create competitive markets, increase privatisation and that job creation was crucial. The assumption was that this would stimulate competitive businesses, driven and / or owned by entrepreneurs.

The South African economy was obliged to undergo a profound restructuring. Stabilisation of macroeconomics had to be achieved to accelerate the economic growth rate as well as to fight poverty and alleviate unemployment. The economy of South Africa had become increasingly integrated into the global economies as an exporter of manufactured goods (after sanctions against the country had been lifted). The ANC government instituted legislation to promote B-BBEE. In his study, Janse van Rensburg (2010: 40) indicated how economic advancement played a major role for the ANC when elected to govern the “new” South Africa after the first democratic elections ever held, following decades of African repression.

Based on the above discussions, it is evident that significant economic and political changes took place before and after the 1994 democratic elections. The South African economy was obliged to undergo a profound restructuring.

3.6 Conclusion

Despite the elections bringing about a new democracy and subsequently new laws that removed the previous restrictions, thereby enabling black people to participate in the economy of the new South Africa, there was still a continuation of white domination of ownership and control of commercial and industrial activities (Janse van Rensburg, 2010:40). At that point, white business owners were reluctant to share and promote black economic empowerment. Once again, as before 1994 to suit the regime of that period, the government needed to intervene with legislative measures to empower the previously disadvantaged. The aim of the newly elected ruling party was to enforce black participation in all spheres of the country’s social and economic environment. One of the many interventions implemented by the government was B-BBEE, the focus of this study.

The literature indicated that democracy is the instrument to correct the wrongs of the past, boost the economy and bring equality and prosperity. The role and effect of small businesses will be discussed in Chapter 3, which will consider how government can make use of them to correct the imbalances; Chapter 5 focuses on the ways and means by which the government attempted to try to correct the imbalances in South Africa.

Questions can be raised regarding crises staring the government in the face; in addition to the social and economic issues, other crises such as an ideological one. One question to be asked is whether the government, after 20 years, has developed a workable ideology or whether it is still outdated or related to struggle issues from the previous regime. The ANC made it repeatedly clear that the purpose of the transformation policy was to take control of all centres of power with black rule as the target (ANC, 2017:3).

The constitutional authority to govern has become more subservient to political power exercised by personal and political networks: "...politics has created expectations that the economy cannot satisfy and unsustainable situations results in the people that are now revolting, striking, burning tires, throwing stones, stone throwing, causing violent police intervention and xenophobia" (Mohr, 2015:291).

CHAPTER 4

ENTERPRISE DEVELOPMENT, DEFINITIONS AND CHARACTERISTICS OF AN ENTREPRENEUR

4.1 Introduction

. The aim of enterprise development is to assist and develop SMME's to grow and become sustainable businesses, be economically active to create necessary jobs. Enterprise Development is important for all developing economies including South Africa. The main feature of economic development that it is used as a vehicle or mechanism to promote economic growth. There are different views to explain enterprise development, (Department of Trade and Industry 2014:1)).

4.2 Enterprise development

Chestnut (2017:2) refers to enterprise development the creation of new enterprises or the redevelopment or expansion of existing enterprises. The critical success factors of any enterprise development strategy are the viability of the business ideas or strategy behind the enterprise development activity. Chestnut (2017:3) expands on enterprise development as a movement, as an activity, movement or an action for adding value to new businesses. Enterprise development materializes therefore as any action, movement or activity that creates new business value. The individuals or organizations who have an interest in the result of the enterprise activity are responsible for funding, guiding or supporting the enterprise development activity towards its objective. Enterprise development as an activity to stimulate economies of countries, sustainable and continuous development creates employment, will increase the tax base for government to stimulate the economy through government spending and the standard of living will be uplifted.

Miemic (2013:1) defines enterprise development as the act of helping people to establish a business and the time invested to improve and expand the business. Enterprise development assist people earning a living, to rise from poverty which will lead to economic growth in the long-term but also to the advantage of themselves, communities of investing time and capital in helping people establish, expand or improve businesses. Enterprise development helps people to earn a living It is important to take note that enterprise development is one of the elements of the B-

BBEE scorecard that will to be addressed in chapter six, indicating that on a global level in South Africa, it plays an important role in the economy as an effective tool to combat poverty.

Reynolds et al. (2001) published the Global Entrepreneurship Monitor (2002:12) that indicates that a high proportion of informal entrepreneurs do not command the necessary skills to comply with legal and tax requirements facing them as registered businesses. Trevor Manuel, the Minister of Finance in the Cabinet of President Nelson Mandela, gave his Budget Speech in 2004, and stated that due to strict regulatory small enterprises, the government must play a key role in enterprise development in encouraging employment creation. He then affirmed that small enterprises are set to be "...boosted by regulatory reforms, micro-credit initiatives and business support (Herrington, Kew & Kew, and 2010:48). According to Moyo (2009:19), "...enterprises carry out initiatives intended to assist and accelerate" to enhance enterprise development and sustainability of more enterprises. The B-BBEE Codes of Good Practice, Statement 600 (DTI,2007) define enterprise development as an enterprise that is involved with black-empowered enterprises, investing in black-owned or black-empowered enterprises, is in joint ventures with them and is in the process of transferring skills back to them.

There are several government initiatives that aim to support and assist entrepreneurial ventures, such as the Small Enterprise Development Agency (SEDA), the IDC (Industrial Development Corporation) and NYDA (National Youth Development Agency) Herrington, Kew & Kew (2010:48). Small and Medium Enterprises (SMEs) are increasingly playing an important role in the economy of developing and developed countries (Kira (2013:52). Enterprise development, which refers to the support and growth of SMEs, is a component of BBEE policy in South Africa. This relates to public and private sectors supporting SME development, financially and non-financially.

Entrepreneurial talents of individuals need to be nurtured, developed as well as encouraging them to unlock growth in high growth potential businesses. Enterprise development is a complex process (Ryan, 2012:5). It needs to be accentuated that enterprise development is a component of BBEE and the Department of Trade and Industry (Ryan, 2012:23) must implement this.

Von Molkte (2011:92) stated that enterprise development is the answer to stabilising and building a prosperous South African economy. This in turn would empower and encourage people to accept the necessary responsibility to participate in the much-needed growing economy. Enterprise development of young and inexperienced entrepreneurs could make use of a mentor, work closely together even in only one specific area. This will lead to significant development in the field.

Scheepers (n.d.:559); regarded enterprise development as a process "...through which both formal and informal initiatives are encouraged, aimed at the creation of businesses and processes new services and products to ascertain a competitive advantage and position in the economy". Lundström and Stevenson (n.d: 15) believed high levels of entrepreneurial activity contribute to economic growth and enterprise development, but also admit that it is not so simple and easy to identify correlations between economic growth and entrepreneurial behaviour. The main feature of enterprise development is to enable "...the favour of beneficiary entities with the specific objective of assisting and the acceleration of enterprise development to be sustainable and operational and financial independence" (Nair, 2007:50).

Underline Corporate Solutions (2011:14) contradicted Nair's statement (2007:50), quoting the GEM Report of 2009 and argued that there is a "...very tight correlation between the level of entrepreneurs in a country and its rate of enterprises development". Servin, Visser and Fairly (2010:302) take the same view as the Gem Report (2009): to increase market share in the industry, the way the business is managed and operated and the need for entrepreneurship whilst entrepreneurial development is being undertaken are all determinants for economic growth.

The Integrated Small Enterprise Development (ISMD) strategy in South Africa strategically planned the future for small enterprise development in South Africa for the period ranging from 2005-2014. It is based on the successes, experiences and lessons relating to small-enterprise development and promotion. IMSD aims to improve equity in terms of race, gender and geographical location (DTA, 2005:4). The strategy is based on three pillars, promoting entrepreneurship through campaigns, leadership training and awards, thereby strengthening the enabling environment by means of regulations, access to finance and markets, improved infrastructure facilities

and business support. This is done to enhance competitiveness and capacities at the enterprise level through skills training and quality, productivity and competitiveness-support (DTI, 2008:4). Smith (2010:1) quoted Mr. Anthony Farr; Chief Executive officer of Allan Grey Orbis Foundation, who emphasised that a potential entrepreneur must be able to strive for excellence, have an intellectual imagination and be able to show initiative and be committed to the business goals.

The entrepreneur must also possess financial and business insight for entrepreneurial development, keeping in mind the consumers' demands, the market for the product as well as the product itself before starting a business. Kelly, Bosma and Amorós (2010:59) conclude that entrepreneurs and entrepreneurship are unique in any economy regarding the creation of growth, the creation of jobs and dynamics of enterprise development.

Booyesen (2015:19) is of the view that entrepreneurial and enterprise development is "...the origin of successful entrepreneurial activity" and an essential factor or element for a country's unemployment problems, economic development and the creating of wealth. Enterprise development is associated with the potential for growth and entrepreneurs need to follow a growth strategy.

Fuchs, Lacovone, Jaeggi, Napier Pearson, Gellegrini and Sanchez (2011: ii) reflected that formal sector firms in South Africa do not view access to finance as a major problem. However, large numbers of SMEs consider access to finance as a major obstacle to their enterprise activities. There is also a lack of research on the B-BEEE compliance element known as Enterprise Development in South Africa, as stated by Timm (2011:21). Some of the possible reasons may be that the industry is new; because most of the literature focuses just on ownership, management and compliance. The focus is therefore not on practices and results that could lead to sustainable development (Ryan, 2012:22).

The value of enterprise development is to grow the economy, be responsible for a larger pool of suppliers and customers, (DTI (2014:2). It further results in a larger economy, higher income per capita and a possible larger base of customers and suppliers. Enterprise development is the involvement or activities by individuals

(entrepreneurs) who have a significant interest in the performance of the enterprise by guiding, funding and supporting the development to reach set goals and objectives.

Enterprise Development can enhance a larger pool of potential customers and suppliers. The larger the economy and the higher the income per capita, the larger the potential customer base. Entrepreneurs are known to increase the value of enterprise development from which they can reap the benefits. An example for assisting enterprise development are available from Meta Economic Development Organisation (MEDO), a NGO, situated in Cape Town.

The following Enterprise Development Programmes are available from NGO's for example, MEDO for entrepreneurs and SMME's:

- Local Economic Development;
- Foundation Business Skills;
- Rural Enterprise Development;
- National Trade Programmes;
- International Trade Programmes and
- Generic and ongoing enterprise development programmes

Statement 600 of the Codes of Good Practice, Section 3.2 (DTI, 2007:600-3) gives a clear indication of the definition of B-BBEE Enterprise Development. It refers to contributions that "...consist of monetary and non-monetary, recoverable and non-recoverable, contributions actually initiated and implemented in favour of beneficiary entities by a measured entity with the specific objective of assisting or accelerating the development, sustainability and ultimate financial and operational independence of that beneficiary". This is commonly accomplished through the expansion of those beneficiaries' financial and/or operational capacity.

Enterprise Development is a compulsory element for BEE compliance and necessary for scoring points on the BEE Scorecard (Ryan, 2012:24). It is synonymous with growth and depends on the enterprise to attract and allocate of new resources (Wickham, 2006:515). These activities include methods to create an enterprise, career orientation, awareness programmes, business survival, the growth of the business, self-employment or to start a new business. As indicated, skills and enterprise

development are regarded as important elements of the B-BBEE Act 53 of 2003, which forms the platform for B-BBEE.

Based on Ryan's criteria (2012:26), the following categories of small enterprises need to be considered in the process of Enterprise Development:

- "Micro-enterprises;
- informal enterprises;
- start-up businesses;
- black-, women- and youth-owned enterprises and
- enterprises in certain growth or priority sectors".

The Integrated Small-enterprise Development Strategy aims to fulfil the Vision 2014 of South Africa as an entrepreneurial nation that "...rewards and recognises those who recognise a business opportunity and pursue it". South Africa is a vibrant country with competitive small enterprise sectors growing in both size and success. People that were once excluded from full participation in the economy will probably have more access to support services as well as development services and can "...be fully integrated into the core of the South African economy, with access to local, national, African and international markets" (DTI, 2005:6). It is important to note that there is still a white majority having more access than those who were excluded.

From the literature study, the researcher was able to note a few gaps regarding enterprise development. Although some definitions of enterprise development were supplied, as well as on the mechanisms and objectives, there appears to be a lack on the measurement of successes regarding enterprise development.

Ryan (2012:23) believed there is not much available in the literature regarding enterprise development. Yet the latter is crucial for South Africa's entrepreneurs to start their own businesses, improve poor economic growth and reduce unemployment and the huge deficit on the balance of payments. Worldwide, governments are assisting their countries with enterprise development. In South Africa, to mention just a few, such initiatives include: B-BBEE, the Skills Development Act, National Training Strategy Initiative, National Skills Development Strategy, National Skills Fund, Sector

Education and Training Authorities (SETA's), Skills, development Facilitators (SDF) and Education and Training Quality Assurance Bodies (ETQAs), mentioned as examples.

The researcher is of the opinion that enterprise development can be measured by the economic impact of WHAT, turnover of the businesses, creating and return on investment (ROI), internal rate of return (IRR) and the profits generated by businesses.

As mentioned previously, enterprise development is the result of the involvement and actions of entrepreneurs or people running a business. The next section describes the characteristics of an entrepreneur.

4.3 Definitions and characteristics of an entrepreneur

4.3.1 Definitions of an Entrepreneur

Various authors describe different entrepreneurial characteristics and skills; these will be discussed later in the chapter. Entrepreneurs are people who initiate and operate a business on a daily and active basis. They are the driving force for innovation, growth, opportunities, taking risks and combining resources effectively (Herrington, Kew & Kew, 2010:11). Before SMME's can start-up, do business or sell goods and services to consumers, entrepreneurial skills and enterprise development are important as they are necessary for "...the achievement of objectives in business environment" (Nel, Werner, Poisat, Sono, Du Plessis, Ngalo, Van Hoek & Botha, 2012:4). An entrepreneur is a person who needs to visualise changes outside the organisation and "...question the essence of its business and the ways that products and services are produced" (Coetzee, 2013:507). Such a person will take risks and make decisions based on needs of the market to start his/her business and to live his/her dream to provide the target market with goods and services.

This chapter will conclude that the main goal of an entrepreneur is to start a business to make a profit by taking risks and realising there is a possibility that s/he may lose everything s/he worked for. Entrepreneurs are not only founders of SMMEs, but also exist in large businesses or corporations. The next section considers various interpretations of an entrepreneur.

Agarwal and Chatterjee (2007:8), regard the entrepreneur as “...one of the most important assets of a new venture, a combination of the entrepreneur’s skills and motivations, and the resource allocation decisions he makes” This influences the performance and growth of the enterprise.

Mohr (2015:45) asserts that the word “‘entrepreneur’ comes from the French word *entreprendre* which means to undertake”, originating from two words: “entre”, meaning “between”, and “preneur” meaning “taker”. The whole word entre-preneur signifies a “between-taker” or “go-between” and in 1433, Rey (1994:700) establishes the existence of the word ‘entrepreneur’. Other authors gave other definitions of an entrepreneur such as Champlain (1632, in Giguère II: 702). The author Hélène Vérin (1982:31-33) suggested that the word “entreprise” derived from the Latin (*imprisia*) signifies something that is bold and daring. The first entrepreneur was in the early 19th Century (Rey, 1994:700).

Boucher (2012:67) described an entrepreneur as a person who knows his strengths and is motivated even if under uncertain conditions. During difficult times, Boucher (2012:67) stated that there must still be “...a fire burning inside him” meaning that an entrepreneur is not a person who will stop being entrepreneurial, but will still be an entrepreneur even if the economy is not favourable.

According to Verduyn (2010:16), there are more than five hundred definitions of an entrepreneur in the literature, but he/she? The author goes further, commenting that none are similar and that there is no universal definition. What they all do have in common is that they are “...people who see opportunity, take risk and value it”. Entrepreneurs have no idea what the outcomes or their future will be. Lundström and Stevenson (n.d:18) describe an entrepreneur as someone who is able to commercialise the “innovation” to be business-growth orientated. Booyesen (2015:1) regards the entrepreneur, “as a person who undertakes a wealth-creating and value-adding process through developing ideas, assembling resources and making things happen”. Booyesen (2015:1) expands on this viewpoint and also describes entrepreneurs as people who start and manage their own business, are creators and innovators, identify new products or opportunities, have insight into the economy and

finances, have financial means or can obtain financing to realise the enterprise and are willing to take calculated risks.

Erasmus, Strydom and Rudansky-Kloppers (2013:42) defined entrepreneurs as [people who are] creative, able to identify opportunities, are not afraid to take financial risks, are innovative, in identifying any opportunity and who are energetic. They are regarded as people who make decisions regarding, what, how, who, and for which market the product will be produced. In short, entrepreneurs combine the factors of production in such a way as to have a maximum output. Erasmus *et al.* (2013:44) indicated that economists regard entrepreneurs as being able to "...to generate products and services to make a profit".

Behaviourists view entrepreneurs as people looking for market opportunities to grow their business, incorporating innovation and creativity (Van Aardt, Bezuidenhout & Mumba, 2008: s.n.). Du Toit, Erasmus and Strydom (2009:n.d.) mentioned that Marxists regard entrepreneurs "as exploiters" whereas corporate managers regard entrepreneurs as "...small operators who lack the potential to manage a large enterprise". Players in the market see entrepreneurs as "...the economic force responsible for the prosperity of the country" (Du Toit *et al.*, 2009: s.n.). An entrepreneur is often described as a person who can take an idea and move the boundaries of success far more than would be expected (Van Gijsen, 2013:3).

Entrepreneurs are also defined as people who seek and recognise opportunities whilst others fail to identify these. These people produce goods and services but are not afraid of changes in the market place, taking risks and adding value to the economy and society (Nieuwenhuizen & Rossouw, 2012:396). Other researchers such as Ahmad and Seymour (n.d.:8) citing Cantillon (1755) opined that an entrepreneur is operating in uncertainty and taking risks. Defoe (1887) described an entrepreneur as a projector of innovation, while Knight (1942) defined an entrepreneur as a person who predicts change in markets, who is also an innovator of new combinations of different resources that are available and is a creator growing a business to create wealth, but is in addition a huge contributor who adds a certain value to the community. Entrepreneurs are also perceived as exploiters and job creators, aiming to create wealth and profit for themselves (Commission of the European Communities, 2003;

Drucker, 1985; Ireland, Hitt & Simon, 2003; Kirzner, 1973; Knight, von Mises, 1949; Lumpkin & Dess, 1996; Niewenhuizen & Rossouw, 2012:397; Penrose, 1959; Shane & Venkataraman, 2000; Weber, 1947).

Tengeh (2011:38) viewed the word entrepreneur as meaning to “undertake”. Other descriptions of an entrepreneur centre on the fact that he/ she is simply someone who starts or operates their own business “, has a sense for the markets in the economy and uses opportunities to combine resources to reach business goals (Tengeh, 2011:38).

Sillanpää (n.d:8 :) mentioned Jovanovic (1982) who stated that there is a correlation between prosperity, wealth and entrepreneurs. The researcher agrees with Brockhaus and Horwitz (date?), who are mentioned by Gartner (1985:47) in observing that “...the literature appears to support the argument that there is no generic definition of the entrepreneur”. Agarwal and Chatterjee (2007:6) perceive entrepreneurs as people who aim to undertake ventures for a variety of reasons and to satisfy their personal goals. Wickham (2006:3) refers to an entrepreneur as “...someone who undertakes certain projects, offers an opening to developing and an understanding of the nature of entrepreneurship”, thereby implying that s/he is a person who takes charge of a project, engages in risky projects and strives to achieve their goals.

Hisrich, Peters and Shepherd (2010:6) are of the opinion (2010:6) that an entrepreneur is an individual who has the initiative “...to bundle resources in innovative ways and is willing to bear the risk and/or uncertainty to act”. These authors added that an entrepreneur creates wealth, adds value to products and services which may be new or unique, reduces waste and introduces changes. The entrepreneur is one who strives for success to accomplish an idea or to become her or his own boss to escape authority. Ferreira (2010:91) quoted Schumpeter regarding SMME’s, that entrepreneurs “...are the central for economic growth and changes”.

To summarise, entrepreneurs are therefore people who initiate and operate their business on a daily and active basis. The different definitions of an entrepreneur and entrepreneurial skills are so intertwined that it is difficult to specifically pinpoint the actual skills which differentiate between an entrepreneur and managers, for instance.

4.3.2 Characteristics of an entrepreneur

Entrepreneurial characteristics are the elements that make entrepreneurs different. The question therefore is: what is the behaviour of an entrepreneur? Does it relate to certain attributes with which they are born? Ngeek and Smit (2013:3044, 3048) emphasised that entrepreneurial activities are necessary to contribute to a healthy economy, thereby "...creating an upward spiral of innovation". They are constantly seeking innovation in a turbulent environment, encouraging inventiveness, exploiting new opportunities and undertaking ventures to encourage them to be successful. Liang and Dunn (2007:80) summarised the characteristics of an entrepreneur as those of a person who acts and is high-achievement driven; has a tolerance for ambiguity; displays an internal locus of control; is very optimistic and a risk taker; is committed; shows initiative and is opportunistic and independent. Very often, an entrepreneur will possess more than one characteristic.

An entrepreneur is a practical thinker, has problem solving skills, is talented in seeking and finding entrepreneurial ventures and has the ability displaying resiliency and integrity. Baron and Henry (2010:49) enquired why some entrepreneurs are much more successful than others. The question is answered by the interdependency of different variables such as values, motives, actions, market conditions, environmental conditions. All of them are interlinked in complexity.

Baron and Henry (2010:50) also made the point that "...conventional wisdom generally assumes that inherited talents or attitudes play a crucial role". Entrepreneurs are normally highly-focused; the ways they act are self-efficacious, persistent and intense in order to be able to bring about change and recognise opportunities in the market to enable them to reach their set goals. However, entrepreneurs might sometimes be afraid of failure; and the fear might encourage them to be highly motivated, have ambition and be persistent to reach success (Timmons and Spinelli, quoted by le Roux and Gunter (n.d.:2).

Erasmus *et al.* (2013:49) identified more characteristics of an entrepreneur: innovative and creative; the need to oversee his / her aims and goals; needing to be in control of his /her time management; needing feedback on successes achieved; focused on his/her own problem-solving, taking risks; possesses the ability to set goals, is confident,

being flexible, passionate, able to re-energise economies (in some cases); enjoying the challenge of new opportunities and being responsible for change, wealth and growth.

Niewenhuizen and Rossouw (2012:396) view an entrepreneur as a “...individual who recognise [sic] opportunities where others see none” and act as catalyst persons for changes in the market such as the delivering of goods and services. Other characteristics relate to creating wealth, managing and growing of the business. Smith and Chimucheka (2014:161) citing Botha, Nieman & van Vuuren Sikhana (2006:2) state that characteristics of an entrepreneur can “...be developed and improved through entrepreneurship education and training”. This statement is of cardinal importance as anyone can become an entrepreneur; therefore, the various characteristics mentioned in Table 4.1 are not a necessity. If an entrepreneur has the required characteristics and skills combined them to start a new venture, this can be achieved by taking risks (Lift, 2013:31).

Booyesen (2015:10) is of the opinion that knowledge and expertise (obtained by experience or by studying), and aptitude (a person is born with talents) of entrepreneurs are not the secret of any success in business. The author mentions some other characteristics that may contribute to the success of an entrepreneur. An entrepreneur must:

- persevere;
 - be confident;
 - take quick decisions;
 - commit to his/her business, work long hours and accept a lower standard of living;
 - be involved in the business;
 - perform some tasks on his/her own;
 - be willing to take risks;
 - have sound human relations;
 - work closely with other people;
 - motivate employees;
 - be creative and innovative;
 - have a positive attitude and
 - learn from setbacks and failures.
-

Most entrepreneurs think they can do better, although there is always space for improvement. Others often consider there could be a better solution that might lead to greater success, instead of concentrating on the current one. Entrepreneurs may well be successful providing they learn to accept failure and use positive and negative experiences positively. They are typically persons with huge optimism but might also display a negative side. There is often a perception that the self- image is more important than the business itself. Entrepreneurs are by nature people who are not bound by rules; their work is never done, and they might prefer to construct their own way of doing things rather than to be restricted. Their mind-set is to look for possibilities, improvement, innovation, change and risk. Hisrish *et al.* (2010:10) view entrepreneurs as people that must "...often make decisions in a highly uncertain environment where the stakes are high, time pressures are immense and there is a considerable emotional investment".

4.4 Conclusion

From the above literature discussions is it clear that a human being called an entrepreneur is the person who start a business, it is his a dream, prepared to take the risk, to be innovative and motivated. The business cannot start or exist without an entrepreneur. The enterprise or the small business is therefore regarded as a business unit, providing goods and services to satisfy client's needs. The ultimate goal is to make profit. The survival end existence is totally dependent on the entrepreneur, taking risks, looking for opportunities and innovations in the market.

CHAPTER 5

THE IMPORTANCE OF SMME'S

5.1 Introduction

The term small and medium enterprise (SME) is a globally used term that covers a variety of types of firms of diverse sizes and featuring in all sectors (Fjose, Grünfeld & Green, 2010:50). In South Africa, the terms SME and small, medium and micro-enterprises (SMMEs) are used, whilst the phrase micro, small and medium enterprise (MSME) can be used instead SMME's were neglected and ignored by authorities in the past when the emphasis was more on the bigger companies; it may be that these companies were regarded as the biggest employers, generating more profits and contributing to economic growth. This view has changed and although these companies are still acknowledged as big players in the economy, SMME's are now also considered as players in the economy, even if not the biggest (Annual report on European SME, 2012/2013, 2013:8).

Small business enterprises form an integral part of the total business scenario in most countries. The preservation and development of a healthy small business community is an avowed policy of governments charged with specific activities to aid the small business sector. By creating jobs and stimulating productivity, small business development can play a significant role in addressing the inequalities in South Africa, inherited from the ruling party before 1994; "contributing to economic growth and the Gross National Product (GNP) of South Africa" (Annual report on European SME 2012/2013, 2013:10).

Why is the small business sector so important in this study? The business environment in South Africa is currently transforming rapidly in the workplace due to new technologies, an increase in global competition and the need to deal efficiently such as changes in the socio-economic environment. Erasmus, Loedolf and Nel (2013:64) identified further reasons why SMMEs are important: the demand and supply of labour, the different levels of education and changes in population profiles. Other central reasons to consider SMMEs significant are skilled and competent workers being laid off by big businesses and therefore there is a greater need for SMMEs for job creation.

According to Erasmus *et al.* (2013:67); it is important to realise the role off SMMEs; when they are involved in job creation and helping to decrease the unemployment rate in South Africa, they promote economic growth and are sources of innovation and new ideas. More reasons for giving them careful consideration is that small businesses are vital for employment, job creation and enterprise development. Coetzee (2013:16) argued that having a job will “empower” the individual, which will have an impact on the quality of that individual’s life, leading to significant improvement in it. Coetzee further stated that the individual’s participation in the economy will make a significant contribution to macro targets as stipulated in the governments’ National Development Plan. Small businesses will help to promote economic growth and are sources of innovation and new ideas.

For a better understanding of the research question, different definitions of a small business, as found in the literature, will be introduced and will highlight the important role of small business in an economy.

5.2 Definition of and criteria for a small business

Globally, there are diverse definitions of small business and different parameters are used to define SMMEs, such as annual sales, employee strength and fixed assets. According to the World Bank definitions, International Finance Corporation (2012:20) are that a business is classified as a SMME when “...it meets the criteria employee strength, size of assets and annual sales”. India uses the same definition, whilst Mexico considers enterprises as SMME’s if their employees are fewer than 500. Timmy (2011:11) stated that the criteria are a measure of employment for a manufacturing small business and that investment in fixed assets must be between R2.5 million and R50 million. The different definitions and interpretations of a small business influence the way SMME’s are described and their impact on an economy.

The Department of Trade and Industry (DTI) (2008:1) describes a small business as a concept that “covers different implicit areas of focus in current economic activities life”. The relevance of this statement is the element of economic activities, entrepreneurial activities; the association of total involvement by management or / and ownership and labour status. The most important role as emphasised by the literature is the government’s contribution for economic prosperity for the country.

Each country has its own requirements with regard to qualifications, specifications, elements and criteria to define a SMME. In India, the service sector is classified as small if the investment in fixed assets ranges between R1 million and R20 million (Timm, 2011:11). This differs from Brazil where the small and micro enterprises are classified according to the turnover of the enterprise, i.e., up to R2.4 million (Timm, 2011:11). Agupusi (2007:3) argues that a small business definition may include different characteristics, such as labour status and management or ownership. Internationally, the criterion of size is adopted for a small business.

The World Bank's definition differs from the above criteria, and classifies SMME's according to employee numbers, the value of assets and annual sales (International Finance Corporation, 2012:20); Table 5.1 below provides the World Bank's definitions of SMMEs.

Table 5.1 World Bank definition of SMME's

World Bank Definition of SMME's			
Enterprise size	Employee	Assets	Annual sales
Medium	< 300	≤ USD 15 Million	≤ USD 15 Million
Small	< 50	≤ USD 3 Million	≤ USD 3 Million
Micro	< 10	≤ USD 10 000	≤ USD 10 000

Source: International Finance Corporation (2012:20).

It is clear from Table 5.1 that the World Bank definition differs from those of other countries; the definition of SMME's may therefore depend on the openness of the country's economy, its state of development, socio-economic reasons, education, skills and the government of the day. Private financial institutions (Banks) employ other criteria for the definition of SMME's (International Finance Corporation, (2012:21). In South Africa the National Small Business Act of 1996, is defined by Agupusi (2007:4) as "...a small business of having a number of less than employees fifty" [sic]. The annual turnover depending on the industry, ranges between less than a minimum of R2 million and up to R25 million. A further criterion, for SMMEs in South Africa depends on the industry, is the value of gross assets, less than R2 million up to R4.5 million.

According to Timm (2011:11) in South Africa, the criteria for a small business comprise a combination of annual turnover and the number of employees. Definitions are further refined by turnover for different sectors, their assets or the annual value of sales. The definition by Watson (2001:50) as quoted by Nieman and Nieuwenhuizen (2009:10) is that a small business is "...any business that is independently owned and operated, but is not dominant in its field and does not engage in any new marketing or innovative practices".

The Department of Trade and Industry (2008:2), (South Africa); defines a small business in the National Small Business Act of 1996 as being a "...separate and distinct business identity, including co-operative enterprises and nongovernmental organizations". A business must be managed by an owner or more persons. The definition emphasises that a business must include its branches or subsidiaries if applicable and if it is predominantly operating in any sector or sub sector of the economy. The National Small Business Act of 1996 classifies small businesses in different sectors and sub-sectors, in terms of total full-time employees, total annual turnover and total gross asset value where fixed property is included as per schedule of the Act (1996:15) (See Table 4.2.)

The National Small Business Act 102 of 1996 was replaced by the National Small Business Act, 2004. The 2004 Act substitutes the definition of a small business (enterprise) as being a separate and distinct business compared to big companies. This includes its branches or subsidiaries if present and includes co-operative enterprises as well as non-governmental organisations that are managed by either one or more owners in a specific sector or subsector, as can be observed in Table 2.2

Table 5.2: Different sectors or subsectors of a small business (enterprise)

Sector or subsectors in accordance with the Standard Industrial classification		Size or class	Total full-time equivalent paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>	Total asset value (fixed property excluded) <i>Less than:</i>
Agriculture		Medium	100	R 4.00 m	R 4.00 m
		Small	50	R 2.00 m	R 2.00 m
		Very small	10	R 0.40 m	R 0.40 m
		Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying		Medium	200	R30.00 m	R 18.00 m
		Small	50	R 7.50 m	R 4.50 m
		Very small	20	R 3.00 m	R 1.80 m
		Micro	5	R 0.15 m	R 0.10 m
Manufacturing		Medium	200	R 40.00 m	R 15.00 m
		Small	50	R 10.00 m	R 3.75 m
		Very small	20	R 4.00 m	R 1.50 m
		Micro	5	R 0.15 m	R 0.10 m
Electricity, Gas and Water		Medium	200	R 40.00 m	R 15.00 m
		Small	50	R 10.00 m	R 3.750 m
		Very small	20	R 4.00 m	R 1.50 m
		Micro	5	R 0.15 m	R 0.10 m
Construction		Medium	200	R 20.00 m	R 4.00 m
		Small	50	R 5.00 m	R 1.00 m
		Very small	20	R 2.00 m	R 0.40 m
		Micro	5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services		Medium	200	R 30.00 m	R 5.00 m
		Small	50	R 15.00 m	R 2.50 m
		Very small	20	R 3.00 m	R 0.50 m
		Micro	5	R 0.15 m	R 0.10 m

Sector or subsectors in accordance with the Standard Industrial classification	Size or class	Total full-time equivalent paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>	Total asset value (fixed property excluded) <i>Less than:</i>
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R 50.00 m	R 8.00 m
	Small	50	R 25.00 m	R 4.00 m
	Very small	20	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Catering, Accommodation and other Trade	Medium	200	R 10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
Transport, Storage and Communications	Medium	100	R 20.00 m	R 5.00 m
	Small	50	R 10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Finance and Business Services	Medium	100	R 20.00 m	R 4.00 m
	Small	50	R 10.00 m	R 2.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Community, Social and Personal Services	Medium	100	R 10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	20	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

Source: National Small Business Amendment Act, 2003, Act no.26

Table 2.2 demonstrates that the more complex the sector is, according to the Standard Industrial Classification, the higher the monetary value will be for both the criteria for the total annual turnover and the total gross asset value where fixed property is excluded. The National Small Business Act 102 of 1996 (1996:3) classifies small

businesses further into different stages of development: first, the so called informal sector, second micro-businesses, third very small businesses and fourth, small and medium businesses or enterprises.

From the previously mentioned definitions and criteria of small businesses, it can be concluded that an enterprise is subject to certain parameters, but that globally, there are different definitions for small businesses in different countries. Brazil and India do not include the parameter of the number of employees employed in their definitions.

South Africa, however, includes the parameter of fifty employees or fewer in its definition. This parameter could be challenged and may be perceived by the public as “big” rather than “small”. South Africa, Brazil and India are regarded as countries with emerging economies. The reason may be the wide span of management, communication channels and control and may be why Brazil and India omit this parameter (Timm, 2011:14).

From the literature it is evident that countries perceive SMMEs differently and therefore the approach of one definition for SMME's applying to all countries is not applicable. The basic concepts are the same in all the definitions: the number of employees employed; the value of assets and the turnover or the annual sales.

5.3 The role of small businesses in an economy

Small businesses play an important role in an economy, such as driving innovation, changes in technology as well as developing tools to combat unemployment and crime. It They may also stimulate the economy and fulfil an important role regarding job creation and economic welfare (Brijlal, 2008:49; Dahlstrand & Stevenson, 2007:1; Maas & Herrington, 2006:59).

Audretsch, as cited in Dahlstrand and Stevenson (2007:1), argued that small businesses are seen “...as the engine of innovative activity”. These small businesses reflect changes in technology and are a key source of dynamism and flexibility. Maas and Herrington (2006:59) believe small businesses must be a “...tool to combat unemployment and crime and to stimulate the economy as a whole”.

Chetty (2009:1) confirms that SMMEs are "... considered to be the engines of economic growth of an economy". The SEDA report of 2009 indicates that SMMEs play an important role in the economy of every country, as the growth of this sector has a direct impact on the Gross Domestic Product. Force Survey cited Chetty (2009:2), who indicated that SMME`s contribute 56% of private sector employment and 36% of the gross domestic product (GDP).

Data retrieved from the SA Yearbook (2011:138) that was released two years after the Chetty findings give approximately the same figures as Chetty. It is estimated that there are 2.8 million SMMEs that contribute 57% to the GDP in 2010. It was also found that SMMEs made a significant contribution to the employment of 61% of the total employment pool in South Africa in 2010. Another source (SA Yearbook, 2011:138) also released figures that once again enhance the importance of SMME roles in uplifting the economy and the standards of living for the inhabitants of South Africa. FinMark Trust (2011:3) indicated that approximately one third of South African citizens are living in rural areas: some of them who are younger than thirty years represent 43% of the population in South Africa; The percentage of South Africans that depend on others to survive is 54%, while 21% of the 54% are dependent on grants received from the South African government under certain terms and conditions. Based on the information from that time, an alarming proportion of adults, 44%, earn less than the amount of R2 000 a month. Table 5.3 compares figures from three countries (Timm, 2011:15). 4.3

Table 5.3 Comparative statistics on small business

Business/firms and GDP contribution	South Africa (2007)	Brazil (2008)	India (2006 / 7)
Total small businesses	2.4 million	16 million	26.1 million
Registered firms	595 000	5.9 million	1.6 million
Informal businesses	1.4 million	10.4 million	24.6 million
GDP contribution	27%-34% (micro, small and medium)	20% (micro and small)	8% (only MSME's)
Total percentage of workforce	56%	56.1%	90%

Table 5.3 reports that in all three developing countries, small businesses create the largest number of jobs and contribute considerably to the Gross Domestic Product. Informal businesses, compared to formal businesses, play a more significant role in India (94%) in comparison to South Africa (58%) and Brazil (65%). India states that the lower contribution to GDP (8%) of small business in India might be the reason that the registered firms represent 6% of the total small business sample compared to South Africa (25%) and Brazil (36%). Kew and Harrington (2009:7) described the importance of small businesses as "...their contribution to economic growth, employment and GDP". These authors believe small business have a direct impact on the GDP and indicate that the contribution by SMMEs to the GDP is important in both developing countries and developed countries, in conjunction with the owners or entrepreneurs. These authors agree that the GDP predicts the size or measurement of a country's economy, due to the contributions of SMMEs and entrepreneurial skills.

The International Finance Corporation (2012:20) admitted that the "SMME sector plays a significant role in the Indian economy": this statement confirms that SMMEs are important for any country. Ryan (2012:5) agreed on the importance of SMMEs but goes a step further by questioning their role and contribution to the economic transformation, growth of the economy and the sector are to create a sustainable job creation. The same author mentioned that it is easier for an SMME to adapt to turbulent changes in its environment, compare to big enterprises. Luiz (2011:54) pointed out that SMMEs do absorb human capital because these businesses are more labour intensive; this would contribute to a decrease in unemployment and poverty.

There are more than 20 million SMMEs in the European economy who employ almost 86.8 million people, representing 66.5% of jobs in all European employment; Therefore, the importance of the role of SMME's cannot be over-emphasised (European Commission, 2013:10; Stan, 2014:166-167). The report of the European Commission (2013: 11) accentuates the importance of SMMEs that are needed for the economic recovery for Europe; they are a very important stimulus for growth and adding value for the economy.

As a developing country, South Africa records high rates of unemployment. This means that the country has a need for SMMEs to act as a tool to combat the issues of

unemployment, crime and to stimulate the economy. According to Timm (2011:10-11), the government can address current and future challenges by promoting small businesses and maintaining the growth of small businesses, assisting in reducing the population's dependence on state fund grants; Timm adds that small businesses can help to "...boost job creation and equitable growth". Sievers and Vandenberg (2007:1341) were of the same opinion.

Aaboen, Lindelöf, von Koch and Löfsten (2006:966) confirmed that small businesses play an important role in the development of economies for economic growth potential and innovation. Amra, Hlatshwayo, and McMillan (2013:4) view the important role of SMME's expansion as being a contributing factor that will "...boost unemployment and reduce poverty". It can therefore be concluded that SMME's are a tool to fight poverty. Booyens (2011:67) stated that small businesses are recognised for their contribution to the growth of a countries economy, employment, innovation and the creation of wealth. In South Africa, emphasis has been placed on the potential of small business to generate employment in the fight against poverty and innovation in development of small business areas is also recognised as an important element. Innovation is therefore associated with new knowledge, creation of new products, processes and organisational methods. The solution to enhance innovative skills, promoting employment and skills development is one of acquiring entrepreneurial skills to master entrepreneurial knowledge in terms of attitudes, practice and skills, to enable economic growth and development (Annual Review of Small Businesses in South Africa 2005-2007, 2008:151).

The Annual Review of Small Business in South Africa (2008:47) describes entrepreneurial activity as depending on "...the external factors influencing the capacity of SMMEs to survive". This includes financial, intellectual and managerial abilities that affect the success of the entrepreneur and business. Innovation is a phenomenon associated with new knowledge being applied. Research was undertaken to investigate the relationship between innovation and SMMEs; the result was surprising. It was found that "...SMMEs, on the whole, cannot be considered as engines of innovation" (Booyens, 2011:75). This research therefore contradicts authors mentioned in this paper regarding their view of innovation (Audretsch, cited in Dahlstrand, Stevenson, Alasadi & Abdelrahim, (2007:1).

The Annual Review of Small Businesses in South Africa 2005-2007 (South Africa Department Trade & Industry, 2008:152) indicated that "...previous studies have underlined the need for innovation designed to enhance successful growth" and for entrepreneurial skills. The following countries share and confirm the same philosophy:

- United States (Gu, Karoly & Zissimopoulos, 2010: 207)
- Finland (Forsman, 2008:606)
- China as reported by Wang and Han (2008:719)
- Indonesia as demonstrated by Tambunan, (2007:95) and
- Sweden as established by Olawale and Garwe (2010:729).

Aaboen *et al.*, (2006:958) emphasised that SMMEs are playing a more than before an important role in the economies of many countries. The National Planning Commission (NPC) (2011:3) admitted that there is no standard definition for South Africa but that success would be measured by "the degree to which the lives and the opportunities are transformed in a sustainable manner".

A recommendation was made by the NPC that the measure of poverty should be below the amount of R418 per person per month, compared to 2009 prices. For the government, this was a mammoth challenge. Regarding poverty, the report identified nine challenges, but agreed with the report of the National Planning Commission (NPC, (2011:3) that unemployment was too high and the lack of quality education was of the essence. One of the proposals by the commission, for economic growth and higher employment rates, is to support small business, private and public enterprises (NPC, 2011:12).

De Lange (2010:4) mentioned that SMMEs and their development are now one of the government's priorities but cautions that there is still much that needs to be done on grassroots level for SMMEs to play an important role in job creation, economic growth, regional development and social coherence.

From the literature, it is clear, the definitions of SMMEs and their development are a crucial component for the prosperity of a country. But Bateman (2010: 198) argues "...there is a lack of clarity in the definitions for SMMEs" because during the different

cycles of the economy these might result in a different concept. Definitions may also differ regarding policy makers that may favourable SMMEs. Another comment by Bateman (2010:199) is that supporting SMMEs to "...become an object in itself instead of achieving goals such as economic development" or as a job creator. Regardless of Bateman's view, the literature study unequivocally revealed the same views regarding the crucial importance of SMMEs. Ferreira (2007:91) mentioned that most of the developing countries embrace their SMMEs who assist their economies against poverty, unemployment and economic growth.

After the 1994 election, the government made its intention clear that SMMEs should fulfil an important role in the South African economy; therefor in 2014 Ms Lindiwe Zulu was sworn in as minister of Small Business Development. The South African Government News Agency (2014:20) reported on Ms Zulu's first public appearance. She believed that South Africa's economy has a huge growth potential and that "...through some skilled development and education, small business could make the backbone of the economy". The minister said that the economy of South Africa is complicated and therefore SMMEs urgently need some support when it comes to the running of a business; she promised that it is essential that her department would need to assist SMMEs with human resources, financial skills, the marketing and the quality of goods and services provided. This would assist enterprise development, economic growth and skills development.

5.4 Economic growth and unemployment

The contribution of SMMEs in South Africa and elsewhere, plus the combination of entrepreneurs, will have an impact on the state of an economy (Erasmus, Strydom & Rudansky-Kloppers, (2013: 44). Economic growth is an essential element in any country's macroeconomics strategy and will be discussed briefly.

5.4.1 Economic growth

From the previous discussions, it can be observed that the following phrases or words are prominent: "economic growth" and "unemployment". They are the main concerns or economic problems for any country and are particularly important in South Africa. Policy objectives are identified as a stabilisation policy. According to Fourie and Burger (2009:11), most of the countries in Africa, Asia and Central America have very low

living standards compared to developed countries. The general assumption is that the growth of an economy will help to uplift the standards of living of the people of a country.

Fourie and Burger (2009:12) proffer the definition of economic growth as “a substantial increase in the trend of level either (a) aggregate production (GDP); in other words, the measurement of economic growth percentage rate increase from one year to another”. Or measured by the per capita (GDP), or (b) per capita GDP (i.e. average GDP per person); measuring the growth rate as a percentage increase in GDP in real terms from year to year. From the above-mentioned definition, it can be deduced that for economic growth there must be a sustainable and recurrent increase in real GDP per capita. Booyens (2011:68) emphasised the fact that innovation is a huge contributor for economic growth and mentioned that, as already noted, “...innovation and entrepreneurship are closely related”.

Blecher, Thomas, Muradzikwa, Smith and de Villiers (2010:376) define economic growth as “...an increase in the real GNP measured in a specific period and secondly as an increase in real GNP per capita in a specific period”. In the first case, the measurement is determined for political excellence or military potential while the second definition is mostly used to compare standards of living (Blecher *et al.* 2010:2013).

Sustainable economic growth is the ultimate goal of every country. To achieve this goal, total production must be increased relative to the population of the country; this will affect an increase in real wages and income to attain a higher level of living standards. The literature reviews show that there is consensus that economic growth will and must be a government policy over a long period and must be measured as such.

Blecher *et al.* (2010:376) named the following components for an economy to grow: supply factors, improvement in the quantity and quality natural sources and for human resources: South Africa fails totally in this. The question arises: why is material exported to China to make clothes cheaper than in South Africa and why is the same stock imported back for selling to consumers? Surely there are more than enough

people available in South Africa, but they do not reflect the maximum potential of productivity. There is a demand factor: to make use of growing production potential resources must be optimally used and also an effective factor: the effect of productivity and optimal use of production sources.

Upon consulting the literature, it became clear that there are factors, resources, tools and legislation to boost the economy of a country, but the researcher admits that it is not always possible that one or more interventions will specifically be applicable for any country's economic growth. The use of technology and employment may ensure economic growth. The use of technology is due to human activities, research and discoveries. Most importantly, though, the entrepreneur is still the biggest contributor to economic growth as discussed in Chapter 3.

Stadler (2015:5) made several observations, such as that, globally, every country is in a stranglehold of low economic growth and high rates of unemployment. To stimulate economic growth the government must make use of the monetary policy to lower the repo rate. According to the International Monetary Fund, quoted by Stadler (2015:15), the economic growth rate for South African economy is 2.1% which is far below the country's potential; the same tendencies are recognised in the Euro zone.

The President of the United States, Mr Obama addressed economic growth in his State of the Union speech in 2015, mentioning the huge gap between the poorest of the poor and the wealthiest. Bloomberg (2015:16) quoted the president as declaring that he wanted to commit himself to economic growth, to increase income and let legislation not cripple the economy. Van Rooyen (2015:17) reported that Chief Executive Officers of big companies in South Africa, as mentioned in the World Economic Forum held in Davos in 2014, are still discouraged about economic growth and government legislation that might hamper their businesses' own growth and expansion. The Presidency of the Republic of South Africa (2014:12) investigated the economic trends from 1994 to 2014, focussing on South Africa's highs and lows, and concluded that South Africa "will need to sustain higher economic growth rates in order to substantially reduce unemployment".

The European Commission (2013:26) compared SMMEs' growth from 2009-2012 in internationally countries. Croatia especially showed an excellent growth of SMMEs of nearly 10%; the Republic of Macedonia indicated a positive trend, but unemployment was still at 30%; Serbia also demonstrated an increase in numbers during this period but suffered due to a risky financial market; SMMEs in Iceland recorded a poor performance due to economic conditions and showed a decline of 1% while Norway and Japan indicated the same trend. During 2008-2010, SMMEs generally exhibited a downward trend in numbers; however, some countries did experience growth of SMMEs during the same period, contributing to their country's GDP, such as Brazil, Russia and India. South Africa was not included in the survey. Figure 2.1, below, depicts the growth of South Africa from 1994-2014.

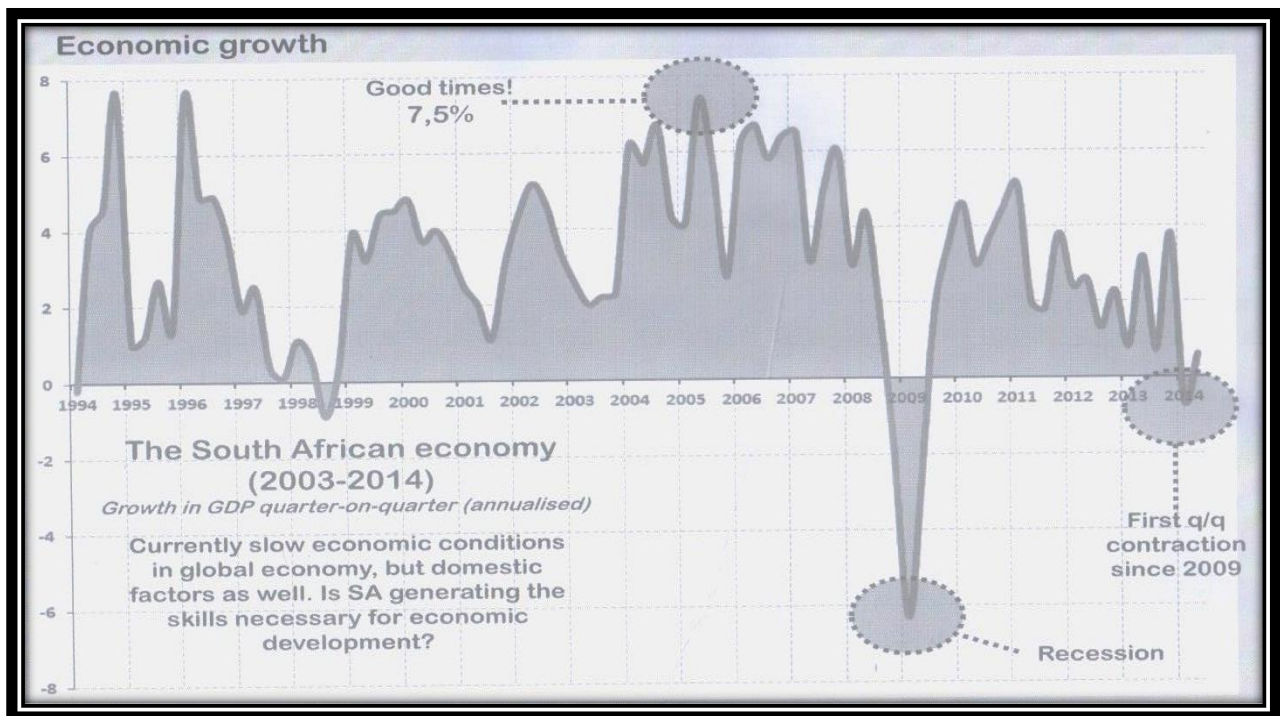


Figure 5.1: South Africa's growth since 1994-2014 (Source: Statistics South Africa 2014)

Figure 5.1 depicts a recession in 2009, huge growth in 2010 and thereafter, a declining growth in the economy. The rest of the world followed and were affected by the economic crash.

Mohr (2015:405) used the Phillips curve to illustrate that there is a direct relation between the inflation rate and unemployment. A lower inflation rate will have an

influence on the unemployment rate. The lower the inflation rate, the higher the unemployment rate will be and vice versa. The researcher wants to link this relation of the two components by stating that unemployment is related to the economic growth of a country. The inflation rate of South Africa stays in the target of below 6% as stipulated by the government's fiscal policy. It must be noted that inflation is not the only factor that causes unemployment; as mentioned previously, economic growth has an impact, for example, on any structural economic changes in the country. Currently the government is faced with a high unemployment rate, as well as major political and socio-economic problems.

5.4.2 Unemployment

South Africa is still faced with a very high unemployment rate; a matter for great concern and priority for policy makers. As intimated, this scenario is a worldwide tendency: Van Aardt (2012:54) points out that an estimated 40% people have a job whilst 24% of them are jobless in South Africa and this ratio, according to international standards, is low compared to other countries where people are jobless: 65% in Brazil; 71% in China; 55% in India, with an average of 56% across emerging markets (Van Aardt, 2012:54).

The labour market of South Africa is characterised by an undersupply of skilled workers and at the other end of the continuum, an oversupply of workers who are unskilled (Coetzee, 2013:17). Due to the rapid growth of the population, not enough jobs are created to satisfy the demand for skilled workers. This is mainly due to people of the previously disadvantaged groups rarely passing matric and, even if they do, not passing their first year at university.

Various definitions of unemployment exist. One definition is that unemployment occurs when someone wishes to work but cannot find employment (excluding children, students and the retired) (Fourie & Burger, 2009:475). Van Aardt (2012:56) quoted Barker's definition of unemployment: when a person "... who is without work, is currently available for work, and is seeking for work or wanting to work". Both Van Aardt and Statistics South Africa (2011:18) declare unemployment as the time when a person is older than fifteen but younger than 65, who wants to work, is in a state

where they are able to work, is immediately available for work, is not employed and or compensated for work and has been actively seeking for work in the last four weeks.

There are four categories of unemployment that will be mentioned but not discussed. Statistics South Africa (2011:18) differentiates between “discouraged work-seekers, underemployed, underutilised labour and unemployed people between fifteen to sixty-five years.” Furthermore, Statistics South Africa (2011:18) identifies the unemployment rate as the proportion of the total work force that is not employed but is still available for work and seeking for a job.

Although more people had jobs in 2008, de Lange (2014:15) stated that the reality was that more people will become jobless in the future. It became more difficult to get a job and those who had one tended to stay there longer. The figure de Lange mentioned is that of the 4,7 million based on the narrow definition of unemployment – of those seeking seriously for a job, just 13% will find one. De Lange (2014:18) indicated that a job seeker is three times more likely to be successful if the person has the necessary experience and education.

The unemployment rate amongst black people increased from 26.5% in 2008 to 27.9% in 2013 while the figure for white unemployed people increased from 4.2% in 2008 to 6.6% in 2013. This poses a serious macroeconomic problem for the government of South Africa.

It is unclear how to solve the problem, but some solutions have been suggested over the years by politicians, for instance to make use of government projects, such as public work projects and wage subsidies. The reasons for poverty and unemployment are due to some of the following structural issues: the inequality of skills due to lack of, or poor, education; low productivity; reserved or low wages (Bhorat, Hirsch, Kanbur & Ncube, (2014:14)). These same authors also made the argument that unemployment occurs when the employers require higher skills than are provided for through higher education institutions. Research by Bhorat *et al.*, (2014:15) found that some job seekers prefer unemployment above employment if the wage offered is not attractive enough to the job seeker.

Unemployment not only poses a threat to the economic growth of a country but also has a direct impact on people. Mohr (2015: 401) mentioned that there is a loss of income to buy basic needs; people are frustrated, demoralised, display a loss of confidence and are in shock. Further unemployment will affect people's health and even lead to death. Psychological disorders such as depression, criminal activities, suicides and divorces may be diagnosed. Unemployment also has the effect that experience and skills will be lost. Financial expenses are incurred in areas such as welfare grants and unemployment benefits programmes by the government. The high unemployment rate in South Africa is related to "high population growth, low economic growth and a declining number of production processes that require labour" (Erasmus *et al.*, 2013:69).

The questions to be answered are: why is there unemployment and what are the reasons? Sometimes some workers do not have the necessary entrepreneurial skills, training or education. Capital intensive enterprises use fewer human resources than labour intensive ones. This is due to innovation, changes and better and quicker ways of managing the production process; global competition as well as changes in people's demands and preferences (Mohr, 2015:402). Erasmus *et al.*, (2013:332) state that South Africa as a developing country has a major problem concerning large-scale unemployment and (the lack of) skilled people.

The key to addressing these problems is job creation and economic growth where entrepreneurs who have SMMEs can play an important role. Government also performs an important role using certain interventions or policies, but to put this intervention into practice is will be a huge challenge, due to political reasons such as equal redistributing of wealth.

Mohr (2015:412) stated that there is a clear correlation between crime, social and political violence and the rate of unemployment, hunger, and the ill-health of the unemployed poor, loss of human development, loss of experienced people, demoralisation and other psychological disorders already mentioned. Currently in South Africa, there are signs of demolishing democratic processes and institutions; riots in the mine sector for higher wages, towns being made ungovernable through protest action due to lack of basic services and students disrupting classes at

universities, boycotts and riots. The unemployment concepts are illustrated below in Figure 4.2

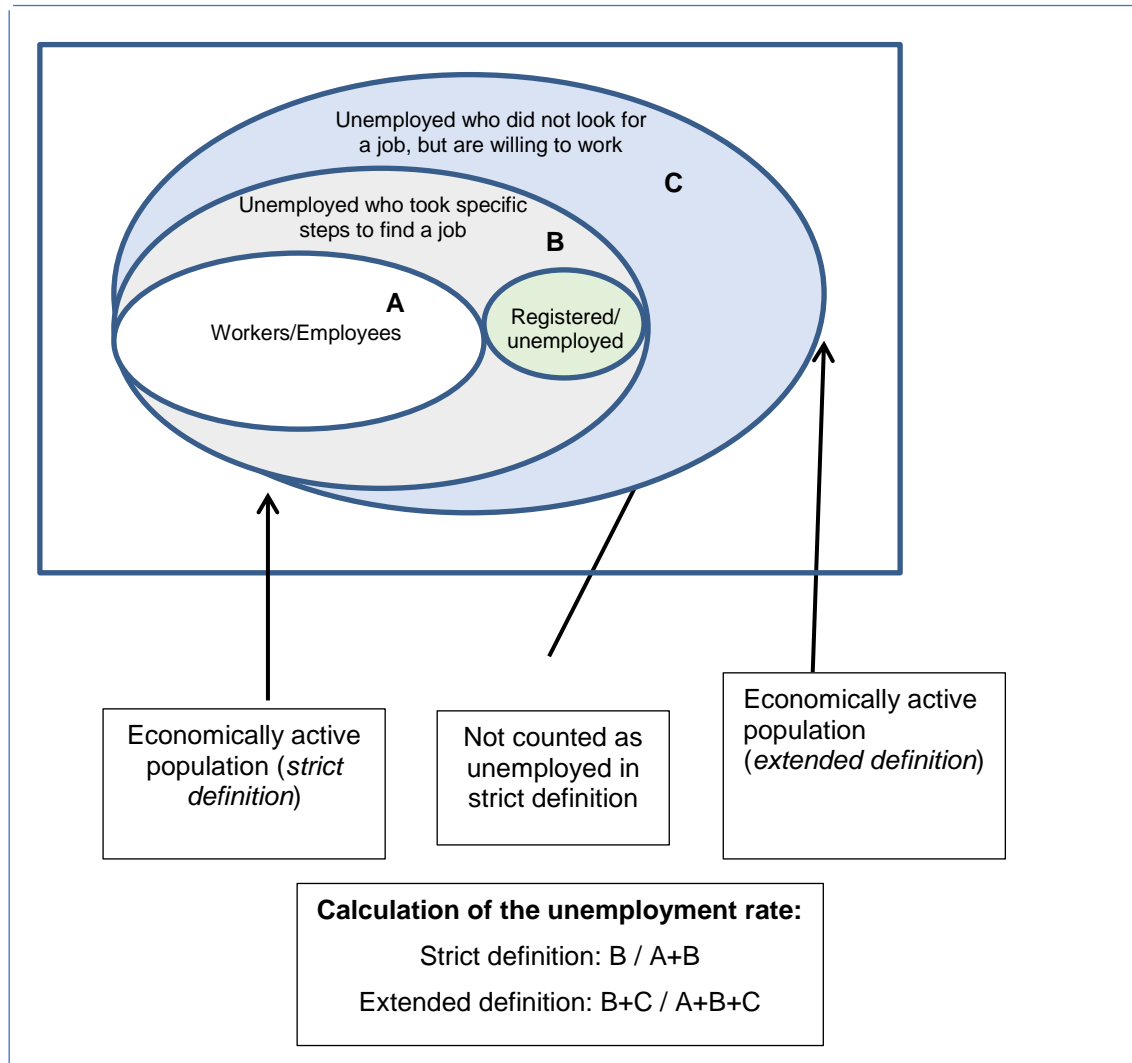


Figure 5.2: Unemployment concepts (Source: Fourie & Burger, 2009:477)

Figure 5.2 presents a visual interpretation of unemployment concepts; that is, the populations that represent the unemployed and the labour force. The population is divided into two groups: first, the people who are economically active, thus those who are in a job or want to work. The second group comprises people who are not economically active which includes students, children, retired persons and those who cannot be classified in either of the two populations. One should take note that the unemployed are regarded as a subgroup of the total population of economically active people. What is not addressed, are the people who are in the informal sector trying to make a living as “entrepreneurs”. They are the persons who are mainly selling goods

on the streets for cash and survival. This kind of business creates a situation of xenophobia; feeding into many South Africans' fear and hatred of strangers or foreigners or of anything that is strange or foreign, especially those who are most impoverished.

The unemployment rate from post 1994 had to 2013, constantly increased to a rate of 25%, Amra *et al.* (2013:3), citing Neumark, Walland and Zhang (2012), stated that the answer might be to reduce unemployment by allocating the scarce resources efficiently, with the help of entrepreneurs whilst the latest rate is 27.7% (Menon:2017:1). The solution to decrease the rate of unemployment is to educate and empower people. The main contributor to employment is to promote small businesses.

5.5 Conclusion

Small businesses are the backbone for creating wealth, jobs and combating poverty because they are contributing a significant portion to a country's GDP. Loucks, Martens and Cho (2010:178) hail small businesses as "...players that will have a major impact on the future of business and the planet". SMMEs are small businesses that are repetitive...the key to addressing many of the unemployment and socio-economic problems of the country" (Nel *et al.*, 2012:362).

Different definitions and the importance of SMMEs were discussed in this chapter, but they are only "identities" that exist when and if only activated by a certain "factor", or a certain driving force, the entrepreneur or for survival. Agarwal and Chatterjee (2007:8) state that people who are known as entrepreneurs or owners of SMMEs are a "...very important asset of a new venture" and their skills, motivation and resource allocation will have an impact on the growth and performance of the SMME. Without the entrepreneur an enterprise cannot exist nor have even the chance to survive. New ventures (SMMEs) are created by entrepreneurs for certain reasons; for instance, to satisfy his / or her own personal performance and objectives. The entrepreneurial process is to start a new venture with four phases: to identify and evaluate the proposition, drawing a business plan, the determination of resources needed to start the venture and fourth to manage the business (Hisrich, Michael & Dean, 2010:7).

The South African economy currently is faced with huge gaps in workforce skills, a population with an ageing workforce possessing irreplaceable skills and knowledge but also young people that are unemployed. Furthermore, the complex and advanced technology in use in certain sectors, plays a significant role in not employing suitably skilled people. This results in jobs moving away from labour intensive operations to more advanced technology, the so called capital-intensive force. The rise in the expectations of the consumer for quality and excellent service is a related concern.

Erasmus *et al.*, (2013: 331-337) firmly emphasised and concluded that "...the history of unemployment relations in South Africa has been intertwined with Economics and politics". The challenge in the South African economy is to support SMMEs and provide their owners with the necessary education, development and training to enable the workforce with marketable, relevant business skills. It is important and necessary that SMMEs are fully aware of globalisation, changing demographics, technology, and competitiveness.

The constitutional authority to govern is becoming more subservient to the political power exercised by personal and political networks through constitutional institutions. Politics has created expectations that the economy cannot satisfy and this unsustainable situation has violent results, described earlier. The massive unemployment rate of South Africa is the country's greatest liability and it is fuelled by the collapse of the country's education system and actions of certain trade unions that destroy jobs.

In the following chapters, the patronage of the ANC government for implementing B-BEE legislation as an intervention in the South African economy (and other interventions); the definition and importance of SMME's; the need for entrepreneurs and entrepreneurial skills to establish an enterprise will be discussed.

CHAPTER 6

Broad-Based Black Economic Empowerment in South Africa

6.1 Introduction

In this chapter, the literature study provided valuable insight into the history of broad-black economic empowerment in South Africa, thereby forming the theoretical framework of the study. The researcher investigated the role of the ANC in the South African political history and economy. Due to the legacy of apartheid, racial discrimination and job reservation, the ANC had to overcome the economic problems of apartheid, by focusing on broadening the economy for those who were previously denied or excluded from participating in the South African economy. South Africa as a new democracy adopted a new Constitution, with the vision of providing a serious and a greater political equality for everybody and to rectify the economic and social inequalities inherited from apartheid.

It was therefore of the utmost importance that the government of the day had to directly intervene to correct the wrongs of the past. As mentioned in earlier chapters, one of the instruments adopted was B-BBEE. The DTI was given the mammoth task of supervising, implementing, administrating and ensuring compliance of B-BBEE. The newly adopted Constitution after 1994 comprises a fundamental set of non-racial and inequality issue practices that must be protected or to be rectified. Some of the interventions instituted by some countries for protection and the unique problems in South Africa will be discussed.

The concept of “affirmative action” originated in the United States in 1935 with the intention of intervening with labour laws to protect minority civil rights by means of the National Labour Act (Nel, *et al.*, 2012:96). Comparing the B-BBEE of South Africa with countries with similar interventions, it was found that most of them acted to address discrimination against minorities. In the case of South Africa, the actions were regarded as an absolute reverse of the legacy of the past in an endeavour to re-balance the unequal representations in gender, race, disability and most importantly, the labour force and as a means of addressing unfair discrimination (Nel *et al.*, 2012:97). South Africa is not unique regarding interventions to address these issues

and similar actions that were followed in other countries will be discussed, followed by the South African situation.

There is a very high demand for skilled entrepreneurs, job skills, quality education and training in South Africa, but unfortunately, there are still skills and entrepreneurial gaps. Consumers demand quality and reliable goods and services from service providers. In South African universities, it appears that not enough qualified or skilled people are being trained and it still shows disparities between various groups of citizens before 1994 and after 1994 to participate effectively in the economy, for instance labour markets (Coetzee, 2013:17 & 51).

6.2 Interventions in other countries

Thouvenot (2013:1) defined state-participation in the economy as a "...mere obligation that private companies which operate in certain industries, reserve a shareholding to public identities". This is necessary to ensure economic growth, equal distribution of wealth and to supply goods and services to the public at affordable prices. State-participation can contribute and assist in the creation of economic empowerment by restoring the economic power of the section of the population that was previously discriminated against.

After the Great Depression in 1930, the United States played a significant role in devising its Declaration of Human Rights to combat discrimination. This was necessary to address inequality and discrimination against Human Rights (Ferreira, 2007: 207).

J.F. Kennedy, who was the president of the USA in 1963, signed a declaration ensuring that government contractors had to apply affirmative action to ensure that applicants that were employed, were treated fairly during their time of employment, and not being discriminated on the basis of race, creed, colour or origin. This led to the abolishment of slavery in the USA in 1855 (Van Rensburg, 2010:233).

The successor of Kennedy, President Johnson implemented affirmative action to assist the hiring of workers who were in the minority to ensure that the workers knew what their goals and working time would be. The objective of the plan was also to

enhance job creation; it was an attempt to stimulate growth in the economy but also to bring about equity there. The Civil Rights Act stipulated "...it shall be unlawful employment practice for an employer to fail or refuse employment because of such individual's race, colour, religion, sex or national origin" (Nel *et al.*, 2012:107 citing Hower and Sowell, 1983:200).

In Canada, the Canadian Human Rights Act of 1st March 1978 "...specifically provided for affirmative action measures" (Van Rensburg, 2010:240). The Act consists of various sections, but some of the important ones are equality rights, prohibition of discrimination by the employer of the employee to protect members of previously disadvantaged and discriminated-against groups. The approach adopted by Canada emphasised that this country would assist disadvantaged people in the country, such as race, colour, religion, ethnic origin, sex, age or physical or mental disabilities and where there is substantive and clarity.

In the United Kingdom, during 2000, the ruling Labour Party was concerned about the significant failures of SMMEs. The problems encountered were lack of skills and soft skills that were needed to manage professionalism, understanding processes and a general knowledge of planning of the whole spectrum of planning assisting them by intervention by legislation assisting SMMEs with necessary skills and training (Ferreira, 2007:91).

The Netherlands and Ireland support their entrepreneurs and SMMEs by means of networking, providing much needed training space and mentoring. Despite this, De Foite (2004, cited in Ferreira, 2010:94) called for more intervention for support where needed to aid businesses in the incubation stage; providing necessary skills to start and run a business successfully, and providing marketing assistance whilst acquiring capital as SMMEs were mainly assisted by government in the start-up phase. Ireland tackled economic and social rights protection inequalities, to address a similar situation to the one in South Africa, aiming to promote economic development.

Germany has promulgated a Constitution that also protects social and economic rights. The main object of the state's justice is to "protect socially vulnerable groups in relation to other groups, which stand in a dominant relation to them" (Van Vuuren,

2010:146). The implementation of the intervention in Germany depended on the objectives; enforceability and the manner in legislation were enforced. Ferreira (2007:94) stated that the interventions in Germany were to provide financial assistance and to develop small businesses. Other interventions were: advice, research incentives and to offer assistance in the setup of new small businesses, to improve productivity and competitiveness as well as to provide adult training for SMMEs owners. Spain used external consultants to assist owners of SMMEs to be successful and to train them in problem solving, drawing up businesses plans and assisting them in being successful and to be self-dependent (Ferreira 2007:94)

State policy interventions are also found in the Constitution of India. Luiz (2011:55) mentioned that this country followed a policy of "...reserving certain products for small enterprises". This relates to the reservation of jobs and the "caste" system "of social stratification and ranked aggregates (usually rigid, birth-ascribed people and who permitted no individual mobility)". This social practice dating back more than a thousand years led to a situation of discrimination and inequalities. Nel *et al.* (2011:105) discussed affirmative action and preferential treatment and compulsory compensatory discrimination that involve various schemes to support the policy. The affirmative action introduced by India has the same purpose as in South Africa. This intervention action is termed a "reverse discrimination" to assist those people previously discriminated against to receive preferential procurement and other economic opportunities to rectify inequalities in parliament and legislatures.

In almost every country there are interventions by governments; Australia and New Zealand for example, offer a confidential and gratis business service that is free to all prospective new businesses. New Zealand also introduced mentoring programmes and skills develop programmes. Mexico and Brazil both respectively have their own major problems of unemployment and inequity, as well as SMMEs who have a need for consultation with government in addressing problems on how to prioritise, evaluating goals and how to solve these problems by them. Support programmes were instituted to assist SMMEs regarding business skills, human resource management skills, (Ferreira, 2007:95). In the case of China's, the government supports technology and scientific research to be essential by assisting SMMEs and economic growth (Ferreira 2007:98).

In Asia, the population in countries such as Malaysia and Indonesia consist of tribes with ethnic differences between the different groups; but owing to government interventions, a supportive, innovative and learning-based environment is created to assist with mentorship and technical assistance.

Malaysia's affirmative action focuses more on ethnic rather than gender or racial features. (Ferreira (2007:99). Charlton and Van Niekerk (1994:41) quoted by Nel *et al.*, (2012:106) confirmed there is a very important similarity between Malaysia and South Africa. Both countries are faced with a majority of people who would benefit by government intervention and whose problems are similar, such as equity ownership, racial disparity across the economy to reduce poverty, create a black middle-class, and emphasise the importance of economic growth.

In 1969, Malaysia adopted the New Economic Plan which aimed, amongst other things, to protect the Bumiputras, a previously disadvantaged indigenous group in the country, promoting an economy where there is equality between the racial groups in Malaysia. The success story of Malaysia's affirmative policies was the government's effective policy to redistribute resources and ensure an above average and rapid economic growth.

A Local Procurement Programme was established in Botswana for at least 30% local firms who benefited from government tender processes, Ferreira (2007:102) mentioned that small businesses are also regarded as an entity that could create income. Thouvenot (2013:2) stated that the government worked in a proactive manner by promoting just Botswana where SMMEs would benefit through Local Procurement Programme.

According to Chongo and Montgomery (2014:1), Zambia is a classic example of BEE reforms that still does not show sufficient progress. The authors of the B-BBEE reforms were hesitant to admit that the poorest of the poor received no benefit by uplifting their livelihoods and supporting their work. Zambia instituted a Private Sector Reform Programme, assisting SMMEs to make it easier to do business in the country.

The Malawian government also emphasised the importance and development of SMMEs. Both the government and private donors are actively assisting SMMEs to reduce unemployment and increase income with a view to accumulating wealth for the country (Ferreira, 2007:102). In 2001, Swaziland established the “Small and Medium Enterprise Department” with its main goal being to assist SMMEs with job creation, economic growth, training and counselling.

Ryan (2012:11) citing Khan (2009:4) noted that some of the protection instruments used in Bangladesh, Thailand and Tanzania are export subsidies; subsidies on inputs and import protection. On 21st March 1990, Namibia was granted independence after decades of being subjected to colonial and apartheid rule. Whilst the new government inherited the same problems as the rest of Africa, Namibia also had to contend with poverty, inequity, poor distribution of wealth and land and an economy that was not on track. Thouvenot (2013:1) maintained that history is constantly in a cyclic phase, with each cycle making some mistakes of the past; the government tried to correct the mistakes that were made. Thouvenot (2013:2) regarded the effort to correct the mistakes “...case for economic empowerment policies, and mostly countries previous under colonial rule”.

In 1993, the Cabinet of Namibia decided to implement a policy of affirmative action to be implemented as soon as possible. This led to the affirmative bill in this country being promulgated as law. The legislation regarding affirmative action includes “...disadvantaged target groups such as blacks, women, disabled” (Nel *et al* 2012:107). The purpose was to ensure equal opportunities regarding employment, enforcing employment quotas and to implement preferential procurement applying to the public.

From the literature study, it is evident that some countries are using interventions in their respective economies. In each country, these actions have different names but they all boil down to the same goals for everybody: reducing unemployment, rectifying the inequalities, improving economic growth and enterprise development and aiming for better living conditions. In South Africa, this action is known as BEE and from this concept, the term B-BBEE emerged.

Many states in Africa have also tried the same model that inspired South Africa. How successful it is, only time will tell. The researcher concluded that this not a prerequisite but an insurance that interventions that are implemented are successful. Although this model of broad-black based economy might create hope, it might appear that the actions undertaken by the government might not have succeeded completely in the goals they had anticipated and endeavoured for. Currently, in the literature, there appears to be no proof that any countries were successful implementing B-BBEE. The South African B-BBEE invention is described in the next section.

6.3 Interventions in South Africa

Affirmative action is not something new or unique to economically aspirant countries, and in particular South Africa. This phenomenon has been used and implemented globally. It very important to realise that affirmative procedures are regarded as an instrument to redress discrimination and deprivation due to historic inequality and its effects on society. After the 1994 elections, the ANC had to adopt policies and legislation for economic growth to assist the previously underprivileged people to take part in the economy. The government's first attempt was the Reconstruction and Development Plan (RDP). Janse van Rensburg (2010:43) indicated that this policy was aimed as a so-called "basic needs" policy to be used as a tool for addressing, for instance, the inequality of the previous disadvantaged people in South Africa.

The policies adopted in the RDP programme were to eliminate discrimination, particularly in the financial sector, but also to assist black people to obtain financial resources that would enable them to guarantee business development. By implementing B-BBEE, the government of South Africa introduced several actions and items of legislation to rectify the legacy of Apartheid. This relates particularly to The Constitution of the Republic of South Africa (Act No. 108 of 1996) which is underpinned by the Bill of Rights; it is the supreme law that embraces human dignity, freedom and equality. The constitutional goals adopted in the Constitution mentioned by Venter (n.d.:3) have several objectives. It aims to heal the divisions of the past; establish a society that have democratic values, displays social justice as well as fundamental human rights. The Constitution aims to promote the foundation of a democratic and open society, citizens need to be protected equally by law to ensure quality of life.

Each person must have free potential to build a democratic and united South Africa and enable the country to take its rightful place in the family of nations.

Further interventions in South Africa to address the previously disadvantaged people are now briefly discussed: inequalities are mentioned by Ngwenya (2007: 8) ; the Competition Act (No. 89 of 1998) to provide equality and a fair opportunity in the South African economy but also for an efficient and effective economy; the Employment Equity Act (No. 55 of 1998) which aims to protect workers against unfair discrimination and against inequality in the work place as well as to ensure a workforce that is productive and efficient.

The National Empowerment Fund Act (No.105 of 1886) aims to achieve and promote skill development of the previously disadvantaged people in the economy. The Preferential Policy Framework Act (No. 5 of 2000) instituted policies regarding tenders with the government. The Skills Development Amendment Act (No. 31 of 2003) aims to enhance people's skills, their education and train them to promote greater competitiveness and productivity in the economy.

Other interventions by government and the private sector are involved as an aid to overcoming the legacy of the past. The Small Enterprise Development Agency (SEDA) was a government initiative in 2004. Legal identities that were merged with SEDA in 2006 were: The Community Public Private Partnership Programme (CPPP) i.e. the Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC) and GODISA Trust and National Technology Transfer.

SEDA's function was to assist black business owners with technical advice, business plans, marketing their goods and service, tenders, supply technical and export advice and provide incentives; (Ferreira 2007:103). The Sector Education and Training Authority (SETA) was established in 2002 with the aim of implementing and developing skills in certain sectors of the economy to promote and give training in leadership skills.

The B-BBEE Act (No. 53 of 2003) and Codes of Good Practice and accompanying regulations were another response to the need for regulatory intervention to accelerate

the process of transformation. The policy regarding BEE of South Africa is not all about moral actions and initiatives to correct the wrongs of the past. It is a significant strategy for growth of the economy of South Africa, aiming to develop the country's full potential whilst on the other hand making sure that the black majority participate in all spheres of the economy. Based on this discussion, the researcher concluded that there are various intervention strategies that aim to address the inequalities of the country and to promote black ownership. Legislation was introduced to pave the way to reach these objectives.

The origin and emergence of B-BBEE is discussed in the section below as this provides insight into the background for the study.

6.4 The origin and emergence of Broad-Based Black Economic Empowerment

After twenty years of democracy, there are still many challenges facing the ANC. The state of poverty and inequality is still persistent and high in South Africa.

Ferreira (2007:64) stated that there are certain challenges that need to be dealt with to rectify the wrongs of the past to satisfy those who could not participate in the country's economy. The challenges correlate to the need for a B-BBEE intervention, such as:

- Black persons' lack of business skills due to little knowledge of entrepreneurship and inadequate education
 - The problem of access to finance – financial institutions are only prepared to finance businesses with a low risk
 - The high costs without capital of resources and other hidden costs
 - Small businesses that are unable to compete due to greater bargaining powers and conspiracies by big companies,
 - Making use of consultants at a high cost for guidance on how to run a business
 - Corruption, crime and theft and
-

- Business owners that are not marketing themselves enough.

B-BBEE is a concept adopted by most African countries as an instrument to measure, take steps or entail programmes and actions to ensure that black people (the previously disadvantaged population of the country) are engaged in the mainstream of the economy. This concept is also applied in non-African countries, although not termed BEE or given any name at all. These steps and programmes were put in place to protect certain activities, human rights and in some cases, certain ethnic groups. Van Vuuren (2010:146) stated that "...forms of protection are aimed at creating a society where parties have equal (or dramatic less unequal) standing in socio-economic relations". This can only be achieved by the reconciliation of any different interests that are in conflict one way or the other.

The origin of B-BBEE as an intervention was in the Department of Trade and Industry (Jack, 2006: 8). According to DTI (2003:8), this intervention was not the beginning of empowerment of the previously disadvantaged people of South Africa. This origin can be traced as far back as to 1990. Apart from various pieces of legislation to provide opportunities for the disadvantaged, Moyo (2009:16) mentioned the following by referring to Booysen (2007:10), van der Nest (2004:27), (BEECom) (2001:2), Goldwyer (2007) and Havenga (2005) that in 1994 after the first democratic election, the "narrow based approach to" BEE was introduced.

The Black Management Forum was the reason for the establishment of the Black Economic Empowerment Commission (BEECom) to investigate and make recommendations regarding procurement in the public sector; founded in 1998 when a combined effort between state-owned and the private sector to assist black people to enter the economy of South Africa with entrepreneurial skill, was investigated and the National Empowerment Fund came into existence.

BEECom also announced in 2000 that a greater focus must be on the development of enterprises and skills development rather than on ownership of a business by black people. B-BBEE was proclaimed in the Government Gazette in 2003, providing the legislative framework for B-BBEE in South Africa, and promulgated in 2004. This was done after the DTI decided that BEE must be broad-based because this would

promote participation of all blacks in the economy instead of only a few of the elite blacks that have had benefited previously. The latest is the Codes of Good Practice, introduced and published in the Government Gazette in 2007; these codes may involve a “generic” or specific sector. The goal of these Codes was to aid understanding of B-BBEE by providing the necessary guidelines and principles to ensure that the main role players, businesses and the public sector, are assisted or advised about the implementation of B-BBEE objectives.

A revised Broad-Based Black Economic Empowerment Code of Good Practice was released on Friday the 11th of October 2013. B-BBEE is seen by Olivier (2011:22) as “...a tool used by the reigning party to elevate poverty”. The fundamental amendments and changes to the legislation framework are a clear vision and sound indication of the government’s goal for the promotion of B-BBEE. Van Vuuren (2010:46) stated that there was a “...a general feeling of lack in the achievement of objectives set by the RDP” that led to the existence of B-BBEE.

The B-BBEE still presents a challenge to South Africa. In the next sections, the legislation regarding the participation of black people is discussed.

6.5 Broad-Based Black Economic Empowerment Act (No.53 of 2003)

As has been emphasised, the newly democratic elected government had to intervene to turn around the situation of inequity.

The B-BBEE Act of 2003 gives the purpose of the Act in Section 1c as “... the viable economic empowerment of all black people including woman, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies”. It is important to note that the Act furthermore clearly states that “black people”, in Section 1b of the Act, is a “...generic term which mean Africans, Coloureds and Indian and Chinese South Africans”. To include Indians and Chinese people in the act is surprising and odd; both these ethnic groups were not the original inhabitants of South Africa but had immigrated to the country yet are regarded by the ruling party as previously disadvantaged. The question remains therefore unanswered: how would they have been treated in their own countries? It must be

mentioned that Indians were “imported” from India to work as cheap labour in sugar plantations in the early 1900.

After a High Court ruling in 2008 the Embassy of Japan (2010:1) indicated that B-BBEE beneficiaries refer to black South Africans born in this country; those born in exile who have black South African ancestors; those born on South African soil after apartheid; who would have been discriminated against if apartheid were still alive and those blacks who were not born in South Africa but who became citizens before the new constitution became law in 1993.

The Act is a strategic plan for potential threats and opportunities facing the issues imbedded in the definition as mentioned in the Act. The following authors held the same view: Ladouce (2009:3); Ponte, Robberts and Van Sittert (2007:933) and Burger and Jafta (2010:4). After the 1994 elections, the concept of Black Economic Empowerment was on the agenda but more emphasis was placed on the RDP trying to broaden the economic environment and ensure more inclusiveness; Van Scheers (2010) regards B-BBEE as “a process, aimed at redressing the imbalances in the ownership and control of South Africa’s economic resources by increasing the black participation in companies.” Krüger (2011:209) described B-BBEE “as a specific government policy to advance economic transformation and enhance the economic participation of black people in South African economy.”

Burger and Jafta (2010:4) stated that B-BBEE must be implemented “...to overcome the legacy of inequalities and injustice created by colonialism and apartheid in a swift, progressive and principled way”. De Klerk (2008:1) discussed B-BBEE as a government driven initiative to combat racialism to provide opportunities for the black people to participate in the economy. Olivier (2011:11) emphasises that measures, actions or programmatic steps are needed to ensure that black people in South Africa take their lawful place in participating in the economy as well as ensuring equal distribution of wealth and resources.

All the views and comments of the others most likely stem from the B-BBEE Act (Act 53 of 2003: 12-13). Article 2 clearly spells out the objectives to facilitate B-BBEE. These objectives are:

- to increase opportunities for black people, to participate and be involved in the economy to be business owners and to play an active role in corporate enterprises within the major business sectors
- to ensure a transformation of racial composition by empowering black people in management structure and ownership and to developed black skills
- to address the case of black women that were neglected to own their own businesses, but also to encourage them to be economically active, building infrastructures, enhancing their skills
- to increase black ownership as well as acquiring land for businesses, the acquisition of the necessary skills to enable blacks to participate in the economy (which due to apartheid never had the chance)
- to be involved in areas that are underdeveloped enhancing productive activities and the uplifting of these rural areas
- to introduce programmes with the intention of assisting black people to achieve the needed participation which enable a sustainable development to achieve prosperity and achieving goals set by the government.

In the Government Notice 112 of 2007 published by DTI, the B-BBEE Empowerment Act 53 of 2003; Codes of Good Practice on Black Economic Empowerment were noted as applicable to some identities in South Africa spelled out in the Government Notice 112 by referring to:

- any public identity who wants to do business with any public enterprise or organ of the state and
 - some public identities such as the South African Broadcasting Corporation, the Development Bank; that are state-owned enterprises.
-

For the first time in South African history the government put a framework on the table to address B-BBEE. The Codes of Good Practice were to be applied to all enterprises with a turnover in excess of R35 million per annum, whilst a revised version would be applied to SMMEs with a turnover of more than R5 million but less than R35 million.

Levenstein (2012:1), however, believes enterprises "...give incorrect information to the verification agency about turnover, management and employees". The most important information is deliberately understated, merely to be classified as an EME. B-BBEE is complex and time consuming for qualifying enterprises. The generic B-BBEE scorecard was implemented to measure the B-BBEE compliance as discussed in the next section.

6.6 The components and weighted elements of the generic B-BBEE scorecard

The purpose of publishing the Codes of Good Practise was to obtain a track record and to measure the compliance of B-BBEE. A balanced score card was introduced for future use in any relevant activities in the economy, for instance government procurement, partnerships between government and the private sector, sale of state-owned enterprises and applications for licences. This radical intervention by government had a huge impact on privately-owned businesses and the whole economy of South Africa, because any dealings with any state organ meant that the specific enterprises would be judged by their BEE status. Simultaneously, DTI developed sectoral BEE charters by dividing the South African economy into different sectors, e.g. tourism, agriculture, mining, the financial sector and nine more. The purpose of the codes developed by DTI was to simplify the B-BBEE requirements. The Act applied a timeframe to implement the intervention of B-BBEE that was to be in force for a ten-year period, after which the Act would be reviewed and considered by the Minister of Trade and Industry.

The generic scorecard consists of seven elements or indicators of empowerment that are grouped in three major components with the seven elements based on the B-BBEE Act of 2003. Table 6.1 displays the components of the generic scorecard.

Table 6.1 The generic scorecard

DIRECT EMPOWERMENT	HUMAN RESOURCE DEVELOPMENT	INDIRECT EMPOWERMENT
		Preferential Procurement 20
Ownership 20	Employment equity 15	Enterprise development 15
Management control 10	Skills development 15	Socio-economic development 5

Table 6.1 indicates that direct empowerment is firstly based on ownership and the control of enterprises and assets; secondly, human resource development is affected through employment equity and skills development and thirdly, indirect empowerment is measured through preferential procurement, enterprise development and socio-economic development. Every element carries a weight as indicated in Table 5.1; the elements are ranked by the government from the most essential to the lower ranking elements. This means that B-BBEE will always be focused on economic growth and the importance of blacks participating in the economy according to the B-BBEE Act (Burger & Jafta, 2010:9).

Direct ownership

The element of ownership is one of the most important priorities of the government to have blacks who are in the minority in economic activities to own and manage their own enterprise fully incorporated into- and active in- the economy of South Africa. The main problem is that black people hardly know or own anything in the economy; white males are still controlling corporate companies (Janse van Rensburg, 2010:610). Intervention in this case needed to empower blacks. Therefore, it became clear that the so-called ownership was only an "...action of transferring shares to black people" (Janse Van Rensburg, 2010:76). To enable any of the scorecard components or elements to be measured, a difficult process had to be followed using a specific prescribed process to determine the correct score.

The component of ownership, counting 20, is divided into smaller weights; to mention a few important ones for instance:

- exercisable voting rights in the hands of black people (3)
- economic interest (% ownership) of blacks (4)
- net value of shares (as % of total value (7) (Burger & Jafta (2010:6).

Bonus points would be scored for ownership if black shareholders were new entrants that would benefit from this intervention (Department of Trade and Industry (2007:79). Blacks must have voting rights and participate in management and control over the company. It is crucial that a black person would be able to exercise such control due to the shares he or she holds.

Management control

Management control emphasises the proportion of blacks that are in top management and in control of the business. It is evident that the management of a business is totally responsible for all the daily activities in the normal way of doing business daily. The purpose of this component is dual: for blacks to serve on the board of directors or in top management or to be general managers in the company. The Code of Practice gives a precise definition of what these regulations entail. The score of 10 consists mainly of:

- % voting rights held by black board members (3),
- % executive directors (2),
- % of black senior management (3).

Human resource development

The balanced scorecard of human resources development is calculated by the percentage of black people employed by a company's total number of workers employed by the business. The human resource development element has a weight of 30% and is the next pillar on the B-BBEE scorecard, consisting of two components: the skills development and employment equity components. Employment equity (15) represents and measures the position of black people on each managerial level of a

business. The important feature here was to encourage black people participate in decision making and problem-solving issues of a business (DTI, 2007:86).

According to Janse van Rensburg (2010:97), together with the employment equity element, skills development is the expression of the human resource development component of B-BBEE. It is a government intervention to assist, train and enable people of the disadvantaged communities to contribute to enterprises in the business sector. This will be measured regardless of the size of the organisation. The weight of 15 comprises mainly:

- “the % of payroll spent on skills development for black employees through specified training programmes (6)
- % of payroll spent on skills development for black disabled employees through specified learning programmes (3) and
- number of black employees participating “in the different programmes” (Department of Trade and Industry (2007:83).

With respect to the skills development component, it must be kept in mind that the government regulates this component aspect with legislation in terms of the Skills Development Levies Act (1999), the Skills Development Act (1998) and the compulsory contribution of 1% by businesses’ payroll to the applicable sector in which the business is operating.

Indirect empowerment

The purpose of indirect empowerment, with a total weight of 40, consists of preferential procurement (20); enterprise development (15) and socio-economic development (5). This is to ensure that black enterprises will expand and grow. The aim of enterprise development is to attract investment in enterprises owned by blacks or even to be involved in black to black joint ventures.

Preferential procurement

Preferential procurement with a weight of 20, is an instrument used by the government to promote economic, social and political objectives but also the buying powers of black entrepreneurs to achieve these goals. Therefore, it is regarded as one of the central components of the Code of Good Practice. A procurement strategy became an essential issue after the 1994 elections to enable SMMEs to obtain access to government tenders.

Ngwenya (2007:10) explained preferential procurement as tenders which are awarded for "...quantifiable, measurable, specific factors, namely that the contract persons are historically disadvantaged persons because of having been discriminated against on the basis of disability, race or gender". Based on the need for the above, a sound and definitive framework and preferential procurement policy were put in place. Certain formulas were developed to calculate points for businesses to become B-BBEE compliant.

The success of a sound and healthy economy in any country can be measured by whether small businesses are nurtured, because they are the backbone of economic growth, innovation and job creation. This element can be regarded as a part of preferential procurement which can be derived from the principles in the Codes of Good Practice, code 600 DTI (2007:322): "...enterprise development contributions consist of monetary or non-monetary recoverable or not recoverable contributions actually initiated and implemented in favour of beneficiary identities".

Socio-economic development

The last element of indirect empowerment is socio-economic development with a score of 5 points. Levenstein (2012:1) stated that this B-BBEE element refers to "...contribution towards socio economic development and has no direct benefit to a black owned business". The Code of Good Practice in the B-BBEE Act mention beneficial local impacts such as:

- employing disabled people as an employment target;
- initiating programmes that will support education and HIV/Aids
- employing youth according to the geographic areas and

For a small business to qualify as a BEE enterprise, a choice of four out of the seven elements of the B-BBEE scorecard for measuring compliance of the enterprise must be made. If an enterprise does not make a choice, the four best elements of the scorecard will be used for measurement purposes. If the BEE score is higher compared to other businesses, more interaction between BEE businesses who are both BEE compliant will take place

The qualifying score of an enterprise at that point in time is to determine the B-BBEE status. As previously stated, the calculations of each element are not easy to make and formulas are used for the calculations. For this study, it is not necessary to supply and discuss the different formulas for each element in detail. Table 5.2 (revised B-BBEE Act effective from October 2013) indicates the contribution level needed to qualify as an enterprise for B-BBEE compliance. The higher the score, the better for the enterprise in terms of tenders from government and doing business with other qualified B-BBEE enterprises. Enterprises that are registered are obliged to submit a report on an annual basis. A BEE certificate will be issued as proof of BEE compliance by the DTI.

Table 6.2: The contribution levels of qualifying SMMEs

B-BBEE Status	Qualification	B-BBEE recognition level (percentage)
Level one contributor	≥ 100 points on the Generic Scorecard	135
Level two contributor	≥ 85 but ≤100 points on the Generic Scorecard	125
Level three contributor	≥ 75 but ≤85 points on the Generic Scorecard	110
Level four contributor	≥ 65 but ≤ 75 points on the Generic Scorecard	100

Level five contributor	≥ 55 but ≤ 65 points on the Generic Scorecard	80
Level six contributor	≥ 45 but ≤ 55 points on the Generic Scorecard	60
Level seven contributor	≥ 40 but ≤ 45 points on the Generic Scorecard	50
Level eight contributor	≥ 30 but < 40 points on the Generic Scorecard	10
Non-compliant contribution	< 30 on the Generic Scorecard	0

Source: Department of Trade and Industry (2007:79)

The B-BBEE scores of 2007 came into effect in 2013. The DTI released revised new B-BBEE codes of Good Practice on Friday 11 October 2013. Enterprises were immediately allowed to use the final B-BBEE codes to calculate and measure their compliance instead of the old B-BBEE codes. The new B-BBEE codes do not differ in principle from the old codes. The new codes were to be phased in as the enterprise reports to DTI in the month registered. The original seven elements of the original scorecard are reduced from seven to five: ownership, management control, skills development, enterprise and supplier development and lastly, social economic development as described in Table 5.3 (Act Gazette 37271:2013).

Table 6.3: The new revised Scorecard (B-BBEE Act. No.53, Sections 9 and 12-

NEW BEE CODES	
Element	Weighing
Ownership	25
Management Control	15
Skills Development	25
Supplier and Enterprise Development	30
Socio-Economic Development	5
	100

Source: B-BBEE Act, No 53, sections 9 and 12.

Compared to the old codes, the government wanted to radically accelerate transformation in South Africa. Nonetheless, transformation is currently too slow and blacks are still not fully part of the economy. The management control score changed from 10 to 15, while skills development changed from 15 to 20. The most important alteration is enterprise development that is now combined with supplier development, merely changed from 35 to 40 points. It must also be noted that the new scorecard adds up to 105 points. A few definitions in the Act were changed but these will not affect the purpose of this study. The Contributor levels as per Table 5.2 remained the same.

6.7 Conclusion

After the 1994 election, the newly elected democratic government had to intervene in the South African economy due to the legacy of apartheid. Legislation such as the Skills Development Act was put in place and explained as was the BBEE that was introduced in 2003. Initially, the Act was negatively perceived and responded to in the economy. The government was obliged to intervene; B-BBEE is one such intervention implemented by the government. The advantages of the intervention are to promote transformation in the economy and to address the biggest issue of enabling blacks to participate in the economy. The government needed to change the racial composition of management and ownership, as examples.

CHAPTER 7

OVERVIEW OF THE EMPIRICAL STUDY

7.1 Introduction

Chapter 1 introduced the research study and the research methodology that would be applied to it. The researcher explained the historical political development of South Africa's and the economy. Enterprise development, definitions and characteristics of entrepreneurs as well as the importance of SMMEs were described, as were the reasons for interventions by (the then) newly elected democratic government that eventually led to the implementation of B-BBEE.

Any scientific study is a process to develop an awareness of gaps in the existing body of knowledge and should lead to researchers gaining more knowledge. It is therefore essential to formulate and define the problem that justifies the investigation. The planning of the investigation, the organisation and analysis of the collected data and interpretation of the data are then conducted. To examine a problem that has been investigated in a satisfactory manner by another researcher would be fruitless. The first task of a researcher is to determine whether the current research has already been done, not just to avoid duplication but also to enable him or her to carry out a literature survey and "...take appropriate actions that, in turn, maximize performance" (Cooper and Schindler, 2008:4).

Based on the research problem that was formulated, the following primary research question emerged: *...are there significant differences between SMMEs before the B-BBEE intervention and SMMEs after the B-BBEE intervention?*

7.2 Purpose of the study

The purpose of the study was to investigate the effect of B-BBEE interventions on SMMEs in certain selected industrial sectors. These included the manufacturing, retail, wholesale, tourism and services sectors. This chapter aims to provide a thick description of how the qualitative research methodology was applied in this study. A 'thick description' as defined by Yin (2011:12), is a way to "...reveal or at least increase

one's awareness of the selectivity and preconceived categories". Li (2004 in Anney, 2014:278) defines a thick description as occurring when a researcher "...enables judgments about how well the research context fits other contexts. Thick descriptive data, i.e. a rich and extensive set of details concerning methodology and context, should be included in the research report": In this way, one assists other researchers to be able to replicate a study with similar conditions in other settings.

A researcher needs to absorb and understand research findings, create a knowledge base, select a researchable topic and formulate a research question (De Vos *et al.*, 2011:12, 65, 86; Yin, 2011:13). Application of different data sources and methods to analyse information from different methods of analysis must be suitable to the study (Creswell, 2014: 232). This implies open-mindedness, unbiased perceptions and the ability to interact with the participants as well as being aware that multiple interpretations might exist (De Vos *et al.*, 2011:64; Yin, 2011:1).

This chapter reveals how the findings have been derived, based on the critical analysis of small businesses before the B-BBEE intervention in relation to small businesses after the B-BBEE intervention in Gauteng Province.

7.3 Research methodology

A research method is a technique for collecting data to enable the research process. This relates to the description of the study's population, the method of collecting data and processing of data, verification of the findings and adhering to ethical issues.

The next section discusses the research model that was applied to the study.

7.3.1 Research paradigm

A research paradigm is the approach that a researcher selects when undertaking an investigation. Neuman (2011:94) stated that a paradigm is a whole system of thinking. For this study, the researcher applied the interpretivist paradigm because this approach is the best option for understanding people in a specific setting; in this case, businesses that are BEE compliant. Interpretivism indicates that there are multiple realities.

The research paradigm applied for a qualitative research approach may yield five different types of research strategies such as narrative, case study (investigating the meaning of the phenomenon being studied), grounded theory (explaining a situation by generating a theory), phenomenology (also arriving at the meaning of the phenomenon being studied) and participatory action research (Creswell, Hanson, Clark & Morales, 2007:241; Schurinck, 2003:4; Thomas, 2010:297).

By means of dialogue between the researcher and the participants, insight was gained into small businesses before the B-BBEE intervention in relation to such businesses after the B-BBEE intervention in Gauteng Province. The purpose was to understand their opinions, views and experiences by means of interpretation (Goldkuhl, 2012:12; Thanh & Thanh, 2015:24-25; Scotland, 2012:14).

The next section discusses the different research design approaches that a researcher might follow.

7.3.2 Research design

Any research design focuses on the kind of study and the assumptions that the researcher has to make to decide whether a study must be undertaken or not, what is being planned and the results aimed at. It is often referred to as a 'set of blueprints' (Babbie & Mouton, 2001; De Vos, *et al.*, 2011:171:56; Babbie, 2007:12). Figure 7.1 depicts the researcher's research model that was applied in the study

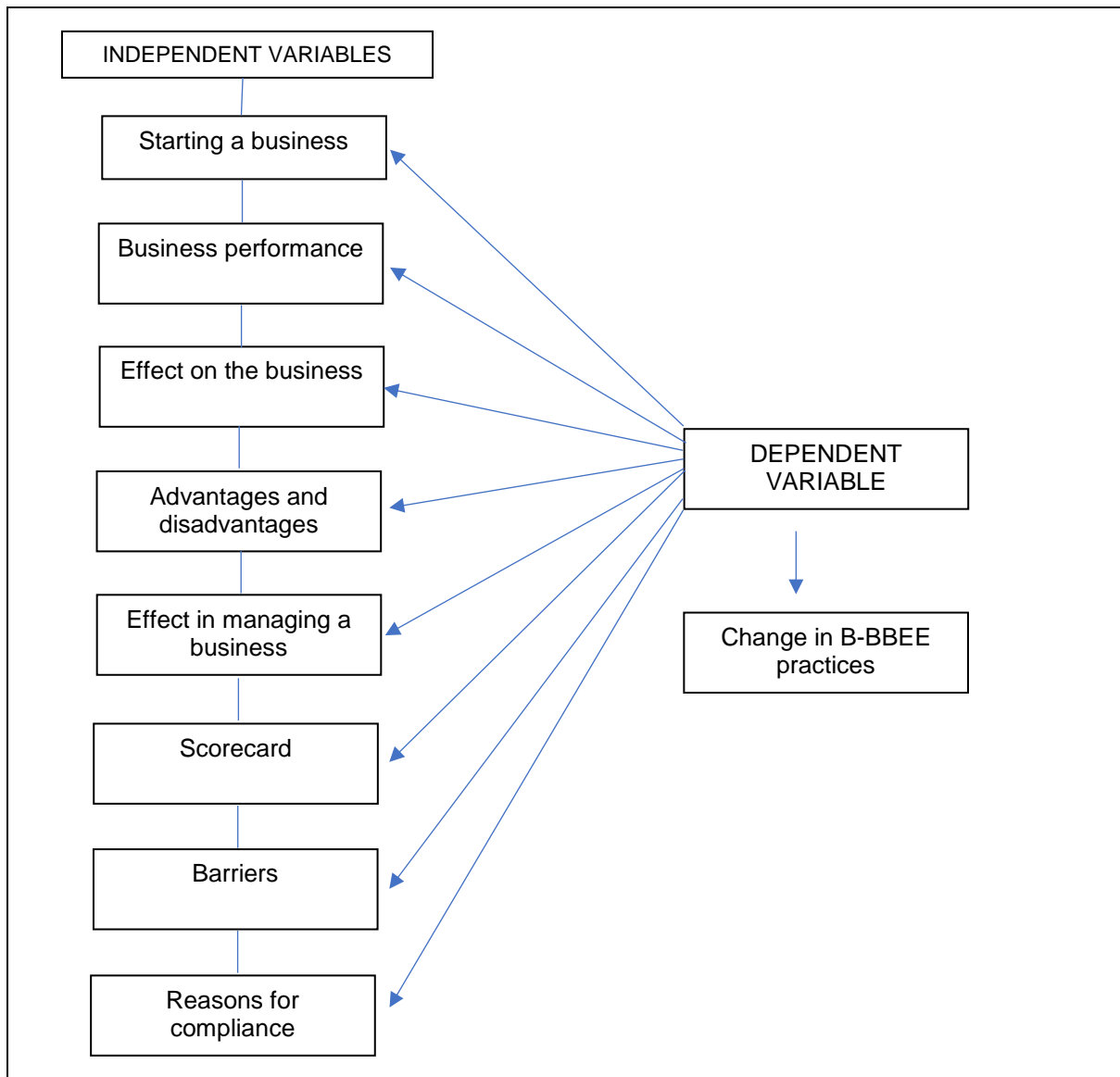


Figure 7.1 Research design (Author own compilation)

A research design might be a quantitative, qualitative or a combined quantitative/qualitative (mixed methods) approach; the researcher must determine which design will be appropriate for his/ her study. He or she has to be able to evaluate the characteristics and limitations of the different approaches; this includes issues and processes such as the target population and data collection methods. A short discussion of the difference between quantitative and qualitative research follows.

7.3.2.1 Quantitative research design

De Vos et al. (2011:143) defines the quantitative research design according to the level of scientific rigour involved in proving the cause-and-effect relationship. This relates to focuses on experiments, surveys and content analysis, and involves quantities or numbers. The measuring instruments of quantitative research design are questionnaires, checklists, index (es) and scales (De Vos et al. 2011:143-144). The quantitative research design involves the process of using quantitative data when measuring variables and verifying existing theories, propositions, hypotheses or questioning them. This frequently leads for instance to generating new theories based on the results of data collected about different variables.

Quantitative research designs could either be descriptive (subjects usually measured once) or experimental (subjects measured before and after a treatment). A descriptive study only establishes associations between variables whereas an experiment establishes causality. Quantitative research concerns dealing in numbers and logic and unchanging static data. It also focuses on detailed, convergent reasoning rather than divergent reasoning (Leedy & Ormrod, 2005:94-97). To conclude, the main aim of a quantitative research study is to classify features, count them, and construct statistical models to explain what is being observed.

For this study, a qualitative research design was selected; the reasons for it are described in the next section.

7.3.2.2 Qualitative research design

Qualitative research design aims to determine the relationship between one thing (an independent variable) and another (a dependent or outcome variable) in a population. According to (Creswell & Clark, 2011:173), the qualitative approach is an interpretive way of thinking. It aims to do the following:

- explore something that is not well defined;
 - describe a possible complexity of how participants interact;
 - help to understand the context and environment of specific respondents;
 - explain linkages between that which is being researched; and
-

- help the researcher to interact with what is being researched or investigated.

This qualitative method offered a better picture of small SMMEs' perceptions of B-BBEE intervention; hence it was deemed suitable for the procedures of data collection, analysis and for forming interpretations and reaching conclusions. Participants who could provide the necessary information were purposively selected (Creswell & Clark, 2011:173).

Babbie and Mouton (2001) view the qualitative approach as a methodology that a researcher applies to collect data. In analysing the data, the latter aims to interpret the findings. The qualitative approach investigates the 'what', 'how' and 'why' questions. (Yin, 2011:26-30). For this study, semi-structured interviews were applied, and the researcher became the investigator as he aimed to understand the perspective of the participants.

A qualitative research was followed by the researcher asking different research questions involving in-depth interviews; the last-mentioned were conducted to collect verbal data from the participants involved in the study (Bhattacharjee, 2012:103; De Vos *et al.*, 2011:64; Yin, 2011:17).

The next section discusses the research process that was followed in the study.

7.3.3 The research process

This section examines the study population; sampling and sampling techniques, the data collection process, analysis, validity, and trustworthiness of the research as well as the ethical considerations.

7.3.3.1 *Population and sampling and sampling techniques*

A population differs from a sample since the former refers to a group of individuals possessing the same characteristics (Creswell, 2012:625). Sampling is the "...act, process, or technique of selecting a suitable sample, or a representative part of a population for determining parameters or characteristics of the whole population" (Mugo, 2002:1; Boyce & Neale, 2006:7). A sample yields information in a rapid manner, whereas to study a big population involves too much time and data. The

selection of the sample should aim to obtain the "...broadest range of information and perspectives on the subject of data" (Yin, 2011:88). The researcher applied purposive sampling to a sample composed of elements that contained the most characteristics, representative or typical attributes of the population; in this case, twenty SMMEs that were BEE compliant.

The next section discusses the preparation of the participants of the study, the data collection process and procedure.

7.3.3.2 *Preparing participants for the study*

Before the researcher could undertake the data collection process, he had to prepare the participants for the study. This was done by obtaining permission from businesses in Gauteng for their staff to participate in the study; the participants had to meet the research criteria. Data was collected by conducting semi-structured interviews with the aid of an interview schedule (Edwards & Holland, 2012: 3). It is important to note that this schedule served merely as a guide and did not dictate the process of the interview. Probing was also utilised to maximise the data collection process.

Consent forms were given to those business owners who agreed to participate in the study (see Appendix B). The researcher made sure that the participants knew there were no right or wrong answers in completing the questions that were posed in the interview. The criteria for inclusion and voluntary participation were explained to the participants and they were assured that their rights would not be jeopardised in any way.

Written consent from participants is central to ethical research practice. The researcher contacted the business owners by visiting their workplaces; contacting them via the work email; and through colleagues. This was deemed necessary to request permission to conduct the study from the SMMEs that are B-BBEE compliant as well as to submit a consent form to participants who were willing to participate in the study. The researcher also arranged meetings with the participants to interview them at a time that was convenient for them.

At the beginning of the interview, the researcher explained the purpose of the study to the participant as well as the reasons why he/ she had been selected to participate. The researcher emphasised the value of their participation and contribution to the study. The participants were informed that their participation was voluntary, and that they could withdraw from the study at any time.

The participants were also informed that their anonymity and confidentiality would be preserved and that their responses would only be used for this study. The researcher requested permission to use a digital medium to record the interviews and assured the participants that only the researcher and an independent coder would have access to the digital recordings and transcriptions. The ethical considerations will be discussed in detail in section 7.3.7.

The researcher attempted to collect data through a survey method, but this was unsatisfactory in that there were not enough respondents. The initial data collection from the sample was undertaken using a survey consisting of fifty-eight questions. The survey was sent out via email under the name of Centurion Academy; this ensured that the receiver would know that the email and email system was legitimate and not spam. The survey was emailed to SMMEs using the data base of the Centurion Chamber of Commerce and the Small Business Institute (formerly known as the Afrikaanse Handelsinstituut). A total of 2116 surveys were sent out but a mere 14 recipients responded. The researcher had initially handed out 200 hard copies at different exhibitions, of which just 8 hard copies were returned. This sample was not large enough for scientific analysis. It was assumed that the low response rate was an indication of the sensitivity of the issue of B-BBEE in South Africa; however, because of the abovementioned lack of data, no definitive reasons for the low return rate could be established. The researcher therefore had no alternative but to do In Depth Interview (IDI) research instead, with the owners of SMMEs that were already B-BBEE compliant

The low response rate not only indicated to the researcher how sensitive B-BBEE is in South Africa but may also have resulted from a lack of input in motivating for the data as confirmed by Ballshaw and Goldberg (2005:11) cited in Olivier (2011:13). A survey problem was also encountered by Lekhanya (2016:73), where 150 questionnaires were distributed, with a mere twenty returned. The researcher's finding

was that respondents were not willing to share sensitive information. Some of the respondents wanted to be paid to complete the survey or, due to lack of interest, did not complete the survey questionnaire. Lekhanya was forced to carry out a face to face study. Another reason for not conducting a survey is that it is a time-consuming process and the answers often yield subjective as well as objective answers. This is addressed later in this chapter, after the discussion on the interviews.

The next section focuses on the data collection procedures where the format and design of the data collection instrument are discussed as well as the advantages and disadvantages of the data collection instrument, namely the semi-structured interview.

7.3.4 Data collection procedure

The data collection procedure is the foundation for a research study and relies on the data collection instrument to be used in the study (Yin, 2011:81, 129). Before conducting an interview, the researcher:

- identified what information is needed and for whom;
- compiled a list of stakeholders;
- set up interviews with the participants;
- explained the purpose of the study;
- explained the reasons for being selected;
- indicated the length of time that the interview would take;
- explained to the participants that information would be kept confidential and how this would be done;
- informed them that a digital medium would be used and that notes would be taken;
- developed an interview protocol to guide the interviewing process; and
- initiated the interview process after submitting the consent form and receiving it back.

Transcribed audio recordings from an actual database contained the exact words that reflect the viewpoints of participants (Creswell, 2012:17). From these transcripts, meanings were derived by means of applying content analysis. A digital medium was used to listen to the transcripts as this allowed the researcher to verify verbal responses. From these transcripts, findings and conclusions are discussed. Since it

was important not to control the content of the interviews, this was achieved by posing open-ended questions to the participants.

7.3.4.1 *Format and design of the data collection instrument*

Certain procedures were followed to collect data for the study and to conduct it in an ethical manner (De Vos *et al.*, 2011:113-130). In-depth interviews provide more detailed information than surveys. There are different forms of interviews, such as structured, unstructured and semi-structured ones. For this study, semi-structured interviews were selected.

This instrument aimed to answer the research question already mentioned: In-depth one-to-one interviews yield different responses and take place in a more relaxed atmosphere where participants could express themselves freely.

Semi-structured interviews could be executed in selected preferred areas, where participants could feel more relaxed, in this case in their offices (Gill, 2008: 292; Yin, 2011:134-135). They involve interaction where a relationship can be established between a researcher and a participant. The semi-structured interview consisted of broad questions, prompting the participants to give answers (Oun & Bach, 2014:254).

Leedy and Ormrod (2010:188) view the semi-structured interview as a suitable process where the researcher follows a set of standard questions posed to the participants, while adding on more individually tailored questions to obtain greater clarity or to probe a participant's observation. It is necessary to conduct semi-structured, one-to-one interviews without bringing in the researcher's prior information, experience, or his / her personal opinions (De Vos *et al.*, 2011:348; Yin, 2011:134). This allows for an opportunity to follow-up on certain issues for the interview as it will provide insights about the participants' viewpoints on the topic.

7.3.4.2 *Advantages of a semi-structured interview*

Edwards and Holland (2013:3) described several advantages of semi-structured interviews. The researchers concluded that this type of interviews provide for:

- pre-planning of questions to be executed;
- an interactional exchange of dialogue between the researcher and participants;
- a thematic topic-centered narrative approach that has a fluid and flexible structure, suitable for covering the topic in question;
- allowing replication of the interview with other participants;
- conducting the interview in various modes, such as face-to-face, telephone and videophone (for this study, one-to-one or face-to-face was selected);
- giving more detailed information in comparison to other data collection methods such as surveys; and
- a more relaxed atmosphere in which to collect information, where participants are more relaxed and feel more comfortable instead of having to complete an impersonal survey.

7.3.4.3 *Disadvantages of a semi-structured interview*

According to Adams (2008:1), there are several disadvantages of a semi-structured interview such as:

- the session can become intense;
 - it can last for a considerable amount of time;
 - the spontaneous manner of answers makes it difficult to quantify and to analyse the responses;
 - some questions may seem to be unfair;
 - some questions may appear to be misleading;
 - it is prone to bias;
-

- the participants need to feel at ease and comfortable. This can be achieved by giving a proper introduction, explaining the instructions, and obtaining permission to conduct the research;
- the researcher needs to find enough time to transcribe the interviews and analyse the results; and
- the researcher might not concentrate on what the participant says during the interview (Adams, 2008:1).

The next section discusses the questions that were applied in the semi-structured interviews.

7.3.4.4 Questions of the semi-structured interviews

In the semi-structured interviews, open-ended questions allowed for an effective structure to facilitate data analysis whilst permitting flexibility around the sequence in which they were asked (De Vos *et al.*, 2011:160; Whittaker, 2012:38-39). Open-ended questions differ from close-ended questions as the latter involve just one specific question whereas open-ended questions allow for more than one answer. By posing more questions, it was possible to explore the variables from the different responses more extensively.

The questions that were asked during the semi-structured, in-depth interview were the following:

1. Please state the reasons for starting your own business? Please motivate your answer. (The reason for this question was to determine if there were entrepreneurial intentions present when participants decided to start their own business.)
 2. What was the influence of B-BBEE on your management practices in your business? Please give a justification for your response. (The question was asked
-

to establish if B-BBEE had any impact on entrepreneurs and the business before, in comparison to after, B-BBEE as an intervention.)

3. What strategies play a role in becoming B-BBEE compliant in terms of strategic thinking, taking risks and new opportunities? (The question tests how owners/entrepreneurial characteristics and methods of running a business, differ after becoming B-BBEE compliant.)
 4. Which of the following elements, if any, do you consider to be important for before and after B-BBEE? In terms of business growth or expansion: the use of budgets, forecasting the future, business environment, analysing financials, control deviations. Please give justification for your response. (The question was also posed to discover if the elements mentioned were already in place before B-BBEE, as well as after B-BBEE, intervention.)
 5. What effect does B-BBEE have on your business and the South African economy? (The main focus of this question was to determine whether B-BBEE did indeed have any effect on the business, in comparison to its situation before the B-BBEE intervention.)
 6. You are B-BBEE compliant; what do you think the advantages and disadvantages to being B-BBEE compliant are? See Question 2 in conjunction with Question 6. (Did the effect of the B-BBEE intervention advantage or disadvantage your business in any way?)
 7. What would you have done differently in managing or running your business after becoming B-BBEE compliant? (Testing the before and after B-BBEE effect on the business.)
 8. Do you think that some of the elements according to the scorecard in the B-BBEE Act should be re-addressed and if so, why? (The only reason for this question was to solicit a negative or positive response from the participants, regarding the scorecard. The scorecard calculates the "levels" of B-BBEE compliance. See Chapter 5 regarding the levels.)
-

9. Were there any barriers regarding the intervention that you experienced? Please clarify your answer? (Testing the participant's entrepreneurial intentions to overcome barriers, if there were indeed barriers to becoming B-BBEE compliant.)
10. How did you overcome some, if any, of the barriers? Please expand. (This question was to determine what business entrepreneurs did, to become B-BBEE compliant. What was the effect on the current business whilst the barriers were being addressed?)
11. Do you think there are definite reasons why businesses should comply with B-BBEE as an intervention by government? (This question was purely to establish if the participants did regard B-BBEE as important and if so, why, in terms of their own business.)
12. What recommendations do you have regarding B-BBEE? These can be for any reasons whatsoever. (A random question to probe the participant's view of B-BBEE and what recommendations they would suggest to make B-BBEE more viable.)

The next step in the research is the data analysis procedure, where the analysis method is described, as were methods of data verification, and the ethical considerations that were applied.

7.3.5 Data analysis

Data analysis is the process of bringing order, structure and meaning to the collected data (Schurink *et al.*, 2011:397).

The researcher applied a content analysis method that utilises qualitative steps for analysis. The qualitative step involves the assignment of categories to text while the quantitative step involves the analysis of the said categories (Mayring, 2014:6 & 10). There is a general consensus that no single method of qualitative data analysis is widely accepted (Neuman, 2011:518) but Schurink *et al.* (2011:403) maintain that there are often alternatives to how researchers apply variations in the number and description of steps for the same process of data analysis; these will be discussed in chapter 7.

For this study, the researcher investigated the qualitative content as it is a suitable method to subjectively interpret the data by coding and identifying themes or patterns (Hsieh & Shannon, 2005:1278). Mayring (2000:2) expands on this and states that a qualitative approach is an empirical, methodologically controlled, analysis of texts without applying quantification. Patton (2002:453) describes it as intended to identify consistencies and meanings in a study.

Qualitative content analysis is mainly inductive because it examines topics and themes by means of inferences drawn from them in the data and is descriptive in nature (Busch, *et al.*, 1994-2012:2; Mayring, 2014:10; Zhang & Wildemuth, 2009:1-2). The outcome of content analysis is a descriptive approach to answering the research question.

There are three approaches to qualitative content analysis:

- Conventional qualitative content analysis (coding categories are derived directly and inductively from the data; grounded theory stems from this approach);
- directed content analysis (initial coding begins with theory/ relevant research findings); and
- summative content analysis (starts by counting words/ manifest content and then moves to latent meaning and themes) (Hsieh & Shannon, 2005:1277-1288).

After collecting the data from the participants, the researcher transcribed the tape-recorded interviews and applied content analysis (Saldaña, 2013:218). Such an analysis offers several advantages as well as disadvantages. The former are that:

- it directly investigates the communication via text or transcripts;
 - both quantitative and qualitative approaches can be applied;
 - it provides for valuable historical/ cultural insights over time by means of analysing the texts;
-

- it allows a closeness to texts (between specific categories and relationships and statistically analyses it by applying codes);
- it can be used to interpret text;
- it is unobtrusive; and
- it provides insight into complex models (human thoughts and language use) (Busch, *et al.*, 1994-2012:13).

Busch *et al.* (1994-2012:14) emphasised that some disadvantages of content analysis are that it can be very time-consuming; may often be devoid of a theoretical basis so that it is inherently reductive; frequently tends to consist of word counts; often disregards the context that produced the text and can be difficult to computerise.

The next section focuses on the different types of analyses that were applied:

7.3.5.1 *Frequency data analyses*

Quantitatively describing the characteristics of a set of data is known as descriptive statistics. Frequency analysis is a component of this type of statistics: in statistics, frequency is the number of times an event occurs. In this study, the data did not fit a Chi-square analysis, which was also due to the small sample.

Frequency analysis is undertaken by entering the gathered data into a table consisting of four columns. The first column records frequency of values / variables gathered from the IDI participants, while the second column records the percentage of the values gathered from the data: the third column indicates the valid percentage of the data and the fourth the cumulative percentage (Cooper & Schindler, 2013:389).

Frequency data analyses calculate how frequently an item occurs, divided by all the specific outcomes. For example: A certain sports team has won 10 games of a total of 20 games played: the frequency of winning is 10 games out of a total of 20 games. The frequency of winning is consequently 10 and the relative frequency of winning is $10/20 = 50\%$. It can therefore be concluded that the frequency of an event is the number of times that the event occurs during experimental trials, divided by the total

number of trials conducted. The result will be that variables with high and low frequencies can be identified.

7.3.5.2 Cross-tabulation analyses

According to Cooper & Schindler (2008:459), cross-tabulation is “a technique for comparing data from two or more categorical variables”. Tables with rows and columns are used; so that by utilising this technique the values of each variable can be categorised. Cross tabulation is a form of analysis that compares the relationship between two variables. Cross tabulations are tables of data that present the results of an entire group of respondents.

7.3.5.3 Methods of data verification

Verification of the content analysis depends on:

- stability (the same data can be consistently recoded in the same way over a period;
- reproducibility (classifying categories of membership in the same way);
- accuracy (the extent to which the classification of a text may correspond to a standard or norm statistically);
- validity (refers to the correspondence of categories to the conclusions); and
- generalisability (refers to the correspondence of categories of results to a theory) (Busch, *et al.*, 1994-2012:12-13).

Lincoln and Guba (1985) discussed four criteria as methods of data verification: credibility, transferability, dependability and conformability.

7.3.5.4 Credibility

Credibility is achieved when a researcher believes the phenomenon is accurately defined and described in the study (Bradley, 1993: 436; Vos *et al.*, 2011:351; Zhang & Wildemuth, 2009:6). The method to ensure this is to request participants' voluntary participation as well as to give them the opportunity to refuse or withdraw from the study without needing to furnish any reasons for their decision. During the interview,

the researcher used verbal communication and made use of probing questions to increase the credibility of the research. The participants were encouraged to talk about their experiences and to contribute ideas without fear of losing their credibility.

Triangulation was used to enhance the quality of the research as it aims to reach the goal of the study by verifying or corroborating [an] "...event, description or fact being reported by a study" (Yin, 2011:81). Qualitative data was collected from SMMEs and interpreted in order to obtain the result; this enabled the researcher to gain insight into the participants' viewpoints regarding the topic of the study.

7.3.5.5 Transferability

Transferability refers to a researcher being able to apply a set of findings to another context; this resembles external validity (De Vos *et al.*, 2011:351; Wahyuni, 2012:77; Zhang & Wildemuth, 2009:6). Since the researcher is the key instrument, transferability can be enhanced by detailing the research method as well as the context and assumptions underlying the study (Thomas, 2010:320).

7.3.5.6 Dependability

Dependability relies on "...the coherence of the internal process and the way the researcher accounts for changing conditions in the phenomena" (Bradley, 1993:437). This can be accomplished through audits of the research processes and findings. The researcher is able to achieve this by checking the consistency of the study processes (Zhang & Wildemuth, 2009:7).

7.3.5.7 Conformability

Conformability refers to "...the extent to which the characteristics of the data, as posited by the researcher, can be confirmed by others who read or review the research results" (Bradley, 1993, p.437). This can be attained by audits of the research processes and findings. The researcher can achieve this standard by checking the internal coherence of the data, findings, interpretations, and recommendations (Zhang & Wildemuth, 2009:7).

The next section discusses the ethical considerations of the study to which a researcher needs to adhere.

7.3.6 Ethical considerations

Ethical considerations are very important in conducting research because the research process is dynamic (Creswell, 2014:92). Qualitative research is unpredictable and relates to human beings; therefore, ethical considerations need to be applied (Prasad, 2013: 79). Ethical clearance to conduct the research was obtained from the University of Pretoria, and the participants in the study were requested to sign the consent form (Appendix C). The following ethical considerations applied:

7.3.6.1 *Informed consent*

Informed consent is the most important aspect of an ethically appropriate research study. It relates to the participants' voluntary participation and informs them of the purpose of the interview. In this instance, the consent form handed to participants explained the procedures that would be followed in the study and in this document they were asked to participate voluntarily in the study (Abdulai & Owusu-Ansah, 2014:13; Escobed, Guerrero, Lujan, Ramirez & Serrano, 2007:1).

The confidentiality of participants was respected throughout the research process. The participants were assured that their identity would not be disclosed by taking part in the interviews and they were told that they had the right to withdraw from the study at any time during the research process. Random numbers were assigned to participants, thereby ensuring that no information about them would be identifiable by other people (De Vos, *et al.*, 2011:27-29; De Vos, Strydom, Fouché & Delpont, 2005:62).

7.3.6.2. *Avoidance of harm*

Since this study focused on the critical analysis of small businesses before the B-BBEE intervention in relation to small businesses after this intervention, it was possible that participants might share information that could leave them feeling vulnerable. Strydom (2005:58) suggests that such a risk should be explained beforehand and that

everything possible should be done by the researcher to protect the participants.

In conducting the study, the researcher therefore explained to each participant that if they felt vulnerable they could stop their participation at any time during the interview process. Two participants requested the researcher to destroy the recording and the transcripts.

7.3.6.3 *Anonymity/ confidentiality*

Confidentiality places a strong obligation on the researcher to guard the information that is given to him [or her] (Strydom, 2005:61). Anonymity means that no one, not even the researcher, should be able to identify any participant after the completion of the fieldwork (Strydom, 2005:62). However, it is difficult to maintain anonymity in the case of face-to-face interviews. Therefore, the researcher altered minor details so that participants could not be recognised. Also, he provided participants with a number. All names have been changed to refer to Participant 1, 2 or 3 etcetera in this report to protect their identity. The dates that participants were interviewed were also not included in the report. As stated previously, the confidentiality with which information was to be handled was explained in the participant information document; confidentiality was guaranteed in the following ways (Strydom, 2005:61):

- Using codes for the individual participants to protect anonymity;
- making the raw data available just to the researcher and his supervisor; and
- participants were informed that all raw data would be destroyed five years after submission of the research report and that, until then, the data/ information would be stored in a secure place (Strydom, 2005:61).

This refers to the data such as the verbatim transcripts of interviews, accurate records and detailed notes on the theoretical and methodological decisions, if an independent audit of the data collection or data analysis is required (Bhattacharjee, 2012:110). The researcher implemented the following measures to manage the data: developing backup copies of computer files and using a good quality digital medium was used. Flash drives, notes, and transcripts were locked away in a cabinet at the researcher's home or office to which he alone had access.

The independent coder, when accessing the information, did not have access to the participants' real names, in a further endeavour to protect their identities. As indicated, the data and digital medium recording will be destroyed five years after completing the research. The researcher wrote a final report and aimed to present accurate, objective and unambiguous information, being aware that biasing the results and plagiarising is a very serious offence and has to be avoided at all times. The researcher gave credit to other authors, by citing their work correctly in the text.

The researcher will recognise and express his gratitude to the participants and will inform them about the findings or results of the research; after completion of the study the researcher will make a copy available to the participants in it.

7.4 Conclusion

This chapter focused on the purpose of the study and the research methodology that was applied. The latter involved a discussion of the research model, paradigm, design and the research process regarding the population, sampling and techniques and the preparation of the participants. The data collection procedure was discussed in detail regarding the data collection instrument, where after the data analysis procedure was described. The researcher outlined the ethical considerations that were necessary to conduct the study.

CHAPTER 8

ANALYSIS, INTERPRETATIONS AND DISCUSSIONS OF THE EMPIRICAL STUDY

8.1 Introduction

The researcher needs to remind the reader again of the perception regarding B-BBEE, given the background of this intervention. As previously explained, South Africa had been under Apartheid rule for over 40 years until a democratic government was elected. The entire social and economic structure of the country had been bound by these policies which meant that anyone who was not “white” or “European” was not only politically disenfranchised, they were also excluded from participating in the mainstream economy (including being a business owner in the formal private sectors.

As previously explained in this study, this in turn prevented the emergence of a black capitalist middle class (all “blacks” were entirely excluded from the fiscus, resulting in a profound impoverishment of the entire black population at all socio-economic levels, even to the extent of land and housing removals and the establishment of “homelands” and parallel education and health systems etcetera, ultimately leading to a lack of governance experience and formal skills. To redress these wrongs and bring about an urgent change in the socio-economic structures, from 1994 onwards, the newly elected government introduced various mitigating legislative economic and social reforms – broadly known as Affirmative Action, and, in the case of this thesis, a specific, business related aspect has been interrogated: that of B-BBEE and in particular, its impact on an important, but often undervalued aspect of the economy, SMMEs, was investigated. The focus of the investigation was the impact of B-BBEE on the said SMMEs and a comparison was made of these businesses before and after the introduction of B-BBEE.

The results of this investigation are recorded in this chapter 8.

As described in Chapter 1, Section 1.4, this study aims to investigate the different propositions, namely:

- Proposition 1: Owners of SMMEs are not more capable of managing their business after B-BBEE intervention
- Proposition 2: After B-BBEE intervention, the businesses' financial features indicated an improvement and
- Proposition 3: Business owners are not more entrepreneurially focused and oriented for survival of their businesses after the B-BBEE intervention.

As mentioned in an earlier chapter one, the first attempt to collect data took the form of a survey in which 2116 emails were sent to business owners of B-BBEE compliant enterprises. It consisted of 58 questions. There were just fourteen (14) responses to it. A further 200 copies were handed out by the researcher at various exhibitions; with just eight copies returned. It was therefore clear that this sample was not sizeable enough to do a scientific analysis. The response indicated to the researcher how sensitive B-BBEE is in South Africa it may also be a lack of input in motivating for the data as confirmed by Ballshaw and Goldberg (2005:11) cited in Olivier (2011:13).

The reasons not to participate in the survey as perceived by the researcher may be that the majority are fearful of expressing their own views and perceptions regarding B-BBEE. The researcher had no alternative but to change the research design of the research to a qualitative design. The changed design resulted in the in-depth Interviews described, instead of a survey, with business owners.

The criteria's for the samples chosen were the following: only owners of SMME's, must be B-BBEE compliant, from the Gauteng Province, excluding Agriculture, Mining and Quarrying as well as Construction. The participants were members of Centurion Chamber of Commerce, who were not prepared to do a survey but prepared to an anonymous IDI, therefore the type business sector, names or any figures were not to be mentioned or the contribution levels of qualifying SMME's (See Figure 5.2), From the information gathered, the researcher derived that all twenty was not a level one contributor because BEE partners were not mentioned during the interview. The profile of the respondents were 18 white males, one black male and one white female. All the businesses were in operation for ten or more years. All of them were sole proprietors and no black BEE partners were involved at the stage of the interview.

Twenty participants were selected; Namey (2017:2) indicated that IDI should not be more than 20 interviews because barely new concepts were found after 20 interviews. This number of participants is confirmed by SIS international Research (2018:1)). Responses of the 20 participants to each one of the twelve questions were coded to enable the researcher to perform data analysis and to establish if these analyses might add more insight to the trends observed in literature study. In the coding of the responses, care was taken to capture as much of the information as possible. Questions 1, 3, 4, 5 6 and 12 were multiple response questions, meaning that a single respondent could provide more than one response per question. Where respondents did so, all the combinations of the responses were calculated and it was possible to compute the percentages associated with each combination. The total percentage per question across all twenty participants added up to 100%.

Due to the qualitative nature of the data, the researcher started recording the descriptive statistics, such as frequencies and cross-tabulations which complemented the findings from the qualitative analysis. The frequencies analysis is discussed first, followed by the cross tabulations. In the next section, the variables are discussed.

8.2 Description of variables

Variable 1:

Give reasons for starting your own business

Variable 2:

What was the influence of B-BBEE on your management practices in your business?

Variable 3:

What were the strategies that played a role in your business becoming B-BBEE compliant in terms of?

- 3.1 strategic thinking?
 - 3.2 taking risks?
 - 3.3 new opportunities?
-

Variable 4:

Describe important elements of - before and after B-BBEE- in terms of:

- 4.1 business growth or expansion
- 4.2 the use of budgets
- 4.3 forecasting the future
- 4.4 business environment
- 4.5 analysing financials
- 4.6 control deviations

Variable 5:

What effect has B-BBEE had on?

- 5.1 your business
- 5.2 the South African economy?

Variable 6:

What are the advantages and disadvantages to being B-BBEE compliant?

Variable 7:

What different management practices are you using in your business after becoming B-BBEE compliant?

Variable 8:

According to the scorecard in the B-BBEE Act Some elements had to be re-addressed: which ones? Explain why?

Variable 9:

What, if any barriers regarding the B-BBEE intervention did you experience? Please clarify your answer

Variable 10:

How did you overcome those barriers? Please expand.

Variable 11:

Provide reasons why businesses should comply with B-BBEE as an intervention by Government.

Variable 12:

What recommendations would you make regarding participation in B-BBEE, based on your experience?

8.3 Types of analyses

The analyses are divided into two sections, namely the frequency analysis and the cross-tabulations as discussed in the next section.

8.3.1 Frequency analyses

In this section, the different frequencies of the variables will be discussed.

8.3.1.1 Frequencies for variables 1-12.

The frequency variables for variables 1 to 12 are depicted in Table 8.1:

- Variable combination
 - Variable 2 to Variable 3 combination
-

- Variable 4 combination
- Variable 5.1 and Variable 5.2, combinations
- Variable 6 combination
- Variables 7, 8 9 and 10 combinations
- Variables 11 and variable 12 combinations /Order analysis.

Table 8.1. Statistics of variables 1-12

Statistics	Valid	N- missing
Variable 1: Give reasons for starting your own business All combinations	20	0
Variable 2: What was the influence of B-BBEE on your management practices in your business?	20	0
Variable 3: What were the strategies that played a role in your business becoming B-BBEE compliant in terms of: <ul style="list-style-type: none"> • 3.1 strategic thinking, • 3.2 taking risks, • 3.3 new opportunities? All combinations	20	0
Variable 4: Describe important elements of -before and after B-BBEE in terms of: <ul style="list-style-type: none"> • 4.1 business growth or expansion • 4.2 the use of budgets • 4.3 forecasting the future • 4.4 business environment • 4.5 analysing financials • 4.6 control deviations. All combinations	20	0
Variable 5.1: What effect has B-BBEE had on your business?	20	0

Variable 5.2: What effect does B-BBEE have on the SA economy?	20	0
Variable 6: What are the advantages and disadvantages to being B-BBEE compliant? All combinations	20	0
Variable 7: What different management practices are you using in your business after becoming B-BBEE compliant?	20	0
Variable 8: According to the scorecard in the B-BBEE Act Some elements had to be re-addressed: which ones? Why?	20	0
Variable 9: What, if any barriers regarding the B-BBEE intervention did you experience?	20	0
Variable 10: How did you overcome some barriers? Please expand. All combinations	20	0
Variable 11: Provide reasons why businesses should comply with B-BBEE as an intervention by government?	20	0
Variable 12: What recommendations would you make regarding participation in B-BBEE, based on your experience?	20	0

This table indicated how the different frequencies of each question were tabulated.

Table 8.2: Variable 1. Give reasons for starting a business

		Frequency	%	Valid %	Cumulative %
Valid	Saw opportunity	3	15.0	15.0	15.0
	Career change	2	10.0	10.0	25.0
	New venture; saw opportunity	3	15.0	15.0	40.0
	New venture; career change	1	5.0	5.0	45.0
	New venture; career change; saw opportunity	6	30.0	30.0	75.0
	Existing business	4	20.0	20.0	95.0

	(cont...) Existing business; career changes; saw opportunity	1	5.0	5.0	100.0
	Total	20	100.0	100.0	100.0

The literature described entrepreneurs as persons who start a business and grow it. Niewenhuizen and Rossouw (2012:396) view an entrepreneur "as an individual who recognise opportunities". From the table above, it may be seen that 13 (65%) of the respondents indicated that they had established their business due to new opportunities, while 50% mentioned a career change.

Examples of some of the answers by the participants:

- Participant 1 "saw a gap in the market"
- Participant 2 "more opportunities"
- Participant 15 "more opportunities for own business"
- Participant 18 "passion for an own business".

From Table 8.2, it appears that 50% of the business owners started their business as a new venture, which is deemed to be a characteristic of entrepreneurs. The conclusion from the data analysis confirms the outcomes of entrepreneurs in the literature (Niewenhuizen & Rossouw 2012:396).

Table 8.3 depicts the influence of B-BBEE on entrepreneurs to manage and develop a business.

Table 8.3: Variable 2. Influence of B-BBEE on your management practices in your business?

		Frequency	%	Valid %	Cumulative %
Valid	Yes	2	10.0	10.0	10.0
	No	18	90.0	90.0	100.0
	Total	20	100.0	100.0	

Most of the participants, 18 of the twenty (90%), indicated that B-BBEE had no impact on their entrepreneurial ability's on how to run and manage a business. The replies answered the research question, that there are "no differences between SMMEs before and after B-BBEE intervention" in this regard.

Examples of some of the responses of the participants:

- Participant 9 "own initiative and not BEE influence"
- Participant 12 "no I am an entrepreneur"
- Participant 15 "no do things the same way"
- Participant 17 "stayed the same".

In terms of proposition 1: [that] owners of SMMEs are more capable of managing their own business after B-BBEE intervention, this proposition cannot be proved because 90% of the respondents indicated there was no impact on their entrepreneurial ability (characteristics) or on how to manage their business. The participants viewed becoming B-BBEE compliant as a legislative issue and a possible opportunity for growing the business by procurement (Esser, 2008:157-169)).

Table 8.4 depicts the strategies that played a role in the business becoming B-BBEE compliant in terms of strategic thinking, takings risk and new opportunities.

Table 8.4: Variable 3. What were the strategies that played a role in your business becoming B-BEE compliant?

		Frequency	%	Valid %	Cumulative %
Valid	New opportunities	7	35.0	35.0	35.0
	New opportunities; Legislation	1	5.0	5.0	40.0
	Taking risks	1	5.0	5.0	45.0
	Strategic thinking	2	10.0	10.0	55.0
	Strategic thinking; legislation	3	15.0	15.0	70.0
	Strategic thinking; new opportunities	3	15.0	15.0	85.0
	Strategic thinking; new opportunities; legislation	1	5.0	5.0	90.0
	Strategic thinking; new opportunities; legislation; taking risks	2	10.0	10.0	100.0
	Total	20	100.0	100.0	

Figure 8.2 depicts the strategies that played a role in the business becoming B-BBEE compliant in terms of strategic thinking, taking risks and new opportunities.

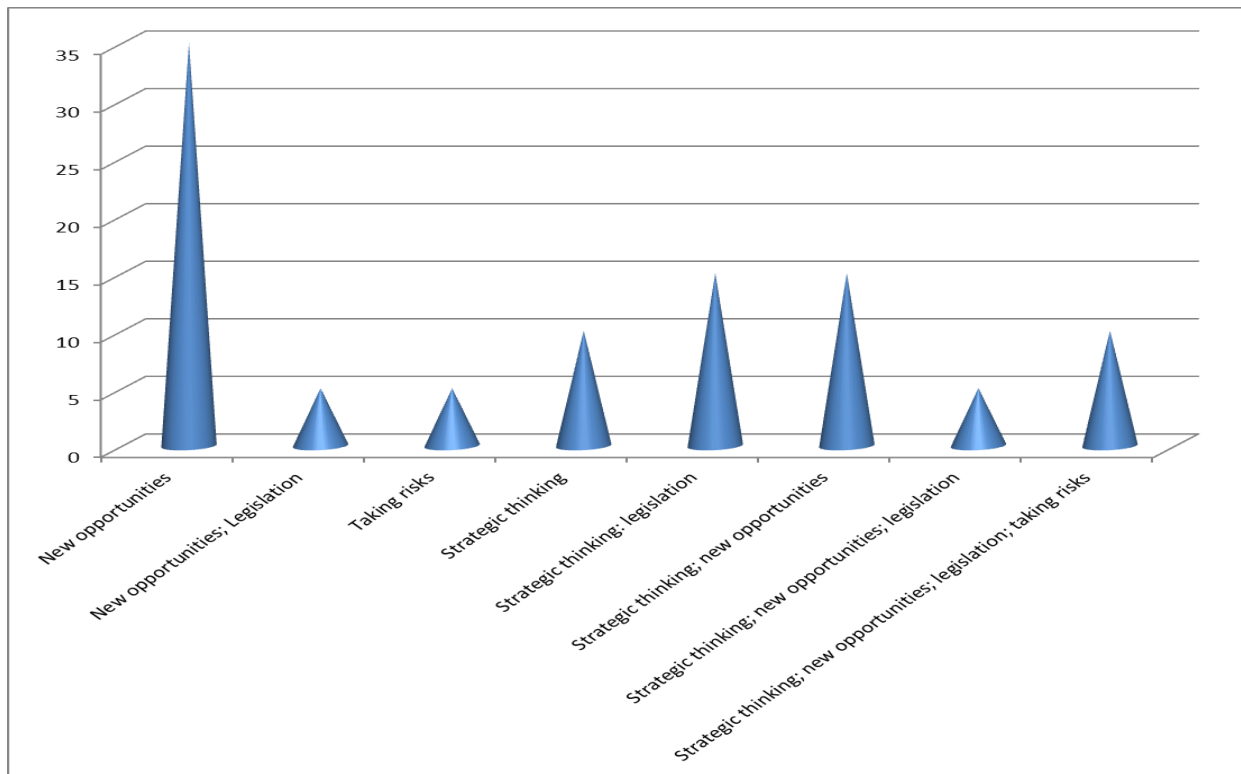


Figure 8.2 Variable 3: What were the strategies that played a role in your business becoming B-BBEE compliant?

Table 8.4 and the graphic representation in Figure 8.1 indicated responses from the participants that B-BBEE compliance is an important strategy. SMME owners had to put strategies in place to become B-BBEE compliant. The analysis indicated that five participants (25%) became B-BBEE compliant as a strategic decision. Fourteen of the participants (70%) indicated new opportunities, and the emergence of strategic thinking.

Examples of some responses from the participants:

- Participant 7 "provides opportunities for employees"
- Participant 16 "new opportunities for business and clients"
- Participant 17 "developing new opportunities".

As Table 8.4 indicated, 15% of the participants indicated risk as being strategic for their business to become B-BBEE compliant. The responses of the following participants confirmed this:

- Participant 5 "B-BBEE forced by government and legal requirements"
- Participant 11 "had no choice"

- Participant 12 "government initiative to be adhered to".

Coetzee (2013:17 & 51) discussed the empowerment and opportunities for employees and stated that South Africa is faced with shortages of entrepreneurs a skilled workforce and technology. The analysis results support the literature which suggests that B-BBEE is indeed an opportunity and vision in the future that will be an advantage for both the business and employees.

Table 8.5 depicts the important elements of before and after B-BBEE in terms of business growth or expansion, the use of budgets, forecasting the future, business environment, analysing financials and control deviations and all combinations

Table 8.5: Variable 4. Important elements of before and after B-BBEE

		Frequency	%	Valid %	Cumulative %
Valid	None	1	5.0	5.0	5.0
	Use of budget; business environment	1	5.0	5.0	10.0
	Use of budget; forecasting the future	1	5.0	5.0	15.0
	Business growth; forecasting the future; business environment	2	10.0	10.0	25.0
	Business growth; use of budgets	2	10.0	10.0	35.0
	Business growth; forecasting the future; business environment; use of budgets	13	65.0	65.0	100.0
	Total	20	100.0	100.0	

Figure 8.3 also depicts the important elements of before and after B-BBEE in terms of business growth or expansion, the use of budgets, forecasting the future, business environment, analysing financials and control deviations and all combinations

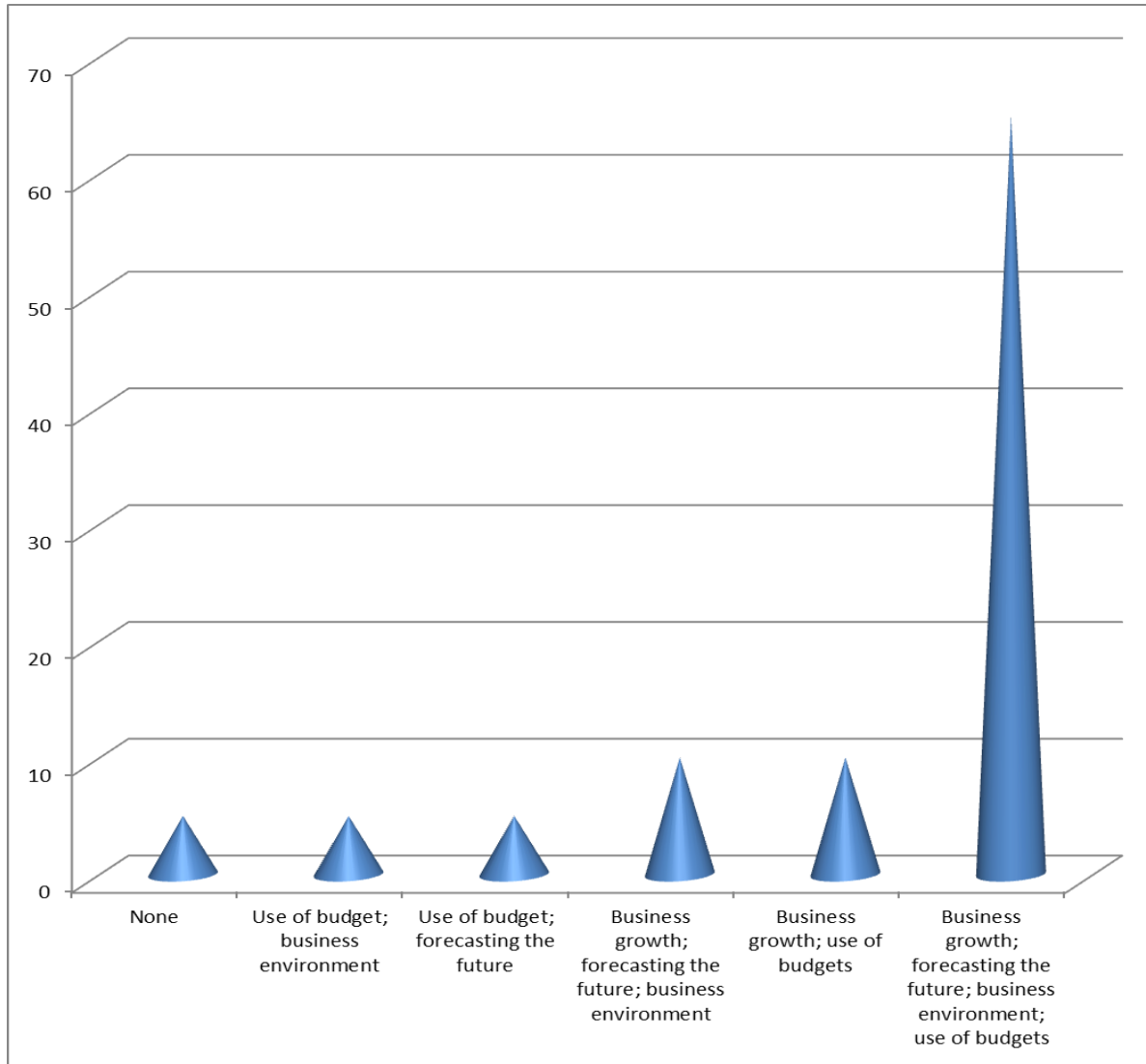


Figure 8.3: Important elements of -before and after B-BBEE

Most of the respondents (95%) indicated that all the elements are important; these were used before B-BBEE and continued to be used after B-BBEE intervention. Just one respondent (5%) stated that becoming B-BBEE compliant had no impact at all.

Feedback from participants:

- Participant 4 "after B-BBEE positive competition"
- Participant 10 "maintain quality of business"

- Participant 15 "difference may be managing a bigger team".

The analysis indicates the participants still make use of principles of calculating risk and business practices in order to remain an efficient and viable business. The analysis also proves that there appear to be no differences between SMME businesses before B-BBEE and after B-BBEE. The same principles of managing a business are applicable both before and after the B-BBEE intervention, this confirms proposition 3, there were no change running the business before and after B-BBEE intervention.

Proposition 2 is not true; From table 8.4 indicated that 95% of the respondents indicated there were no changes regarding financial elements used before B-BBEE and after the B-BBEE intervention. Based on this answer, it may be deduced that characteristics of entrepreneurs are still important and are still used by entrepreneurs; therefore, the proposition is not true. The next table, Table 8.6 depicts the positive or negative effect of B-BBEE on the business in Table 8.6 and Table 8.7.

Table 8.6: Variable 5.1. What effect has B-BEE had on your business?

		Frequency	%	Valid %	Cumulative %
Valid	Positive effect on business	8	40.0	40.0	40.0
	Negative effect on business	12	60.0	60.0	100.0
	Total	20	100.0	100.0	

Table 8.7 depicts the effect of B-BBEE on the South African economy.

Table 8.7: Variable 5.2. Effect of B-BBEE on the South African economy?

		Frequency	%	Valid %	Cumulative %
Valid	Positive effect on economy	7	35.0	35.0	35.0
	Negative effect on economy	13	65.0	65.0	100.0
	Total	20	100.0	100.0	

The reason for the two different tables is to compare B-BBEE answers regarding the business of the participant and the economy. The researcher anticipated the same

response for both scenarios. The outcome was indeed that there were no significant differences stemming from B-BBEE intervention on businesses and the economic environment of the businesses being researched.

Most of the respondents, twelve (60%), indicated B-BBEE has a negative effect on a business, and thirteen (65%) on the South African economy. Reasons provided for the negative responses were:

- Participant 3: "B-BBEE slowed down the growth of the business"
- Participant 12: "B-BBEE has no effect and failed the purpose as an intervention in the economy"
- Participant 13: "after twenty-three years where are the black entrepreneurs?"
- Participant 18: "time frame to get a B-BBEE compliant certificate takes too long".
- Participant 15: "B-BEE is driven by legislation and not according to a capitalist economy"
- Participant 16: "B-BBEE had no positive effect after 1994".

The positive responses reported by eight participants (40%) for a business and seven (35%) for the South African economy was as follows:

- Participant 1: "competing for government contracts"
- Participant 2: "BEE partners are important"
- Participant 9: "yes, black partners are important for the economy".

Multiple reasons were provided that indicates B-BBEE: "keeps good entrepreneurs out of business, is window dressing, and employs incompetent human resources. Another view expressed was that the intervention never reached its target nor the purpose for which it was implemented. The South African Economy as a whole was not improved through the implementation of B-BBEE which saw just a certain compliant business benefit due to their apparent legislative adherence. Some of the respondents are also of the opinion that there are positives although most of the rest of the disadvantaged people still have a hard life. After many years, "where are the ones that are supposed to be part of the economy?" is a question raised by some of the participants.

Majority of the respondents perceived B-BBEE as negative, with a few regarding B-BBEE as a positive intervention. Table 8.8 depicts the advantages and disadvantages to be B-BBEE compliant.

Table 8.8: Variable 6. Advantages and disadvantages to be B-BBEE compliant?

		Frequency	%	Valid %	Cumulative %
Valid	Disadvantages only	2	10.0	10.0	10.0
	Advantages & Disadvantages	18	90.0	90.0	100.0
	Total	20	100.0	100.0	

Of the twenty respondents, a mere 2 (10%) indicated there are just disadvantages to being B-BBEE compliant, whilst eighteen (90%) indicated that there are both advantages and disadvantages to being B-BBEE compliant.

The following participant responses describe the advantages of B-BBEE:

- Participant 5: "more government contracts"
- Participant 6: "compliance to compete in government"
- Participant 10: "there are more opportunities"
- Participant 12: "more visibility for the business".

Participants described the main disadvantages as follows:

- Participant 2: "B-BBEE is not feasible and there is also a lack of motivation"
- Participant 7: "B-BBEE is enforced"
- Participant 11: "people misuse the system"
- Participant 13: "minimal or no support for training and programs"
- Participant 16: "funds are not available"
- Participant 18; "partners in the system are not effective".

The analyses regarding both the advantages and the disadvantages revealed an overall positive response to B-BBEE as an intervention. Ninety percent (90%)

indicated that the intervention is indeed good for business and it can therefore be deduced that B-BBEE has a positive influence. Table 8.9 depicts different practices in the business after becoming B-BBEE compliant.

Table 8.9: Variable 7. Different management practices in your business after becoming B-BBEE compliant?

		Frequency	%	Valid %	Cumulative %
Valid	Nothing, business as usual	14	70.0	70.0	70.0
	Nothing or with slight/ minimal changes	5	25.0	25.0	95.0
	No comment	1	5.0	5.0	100.0
	Total	20	100.0	100.0	

Figure 8.4 depicts the different management practices in the business after becoming B-BBEE compliant.

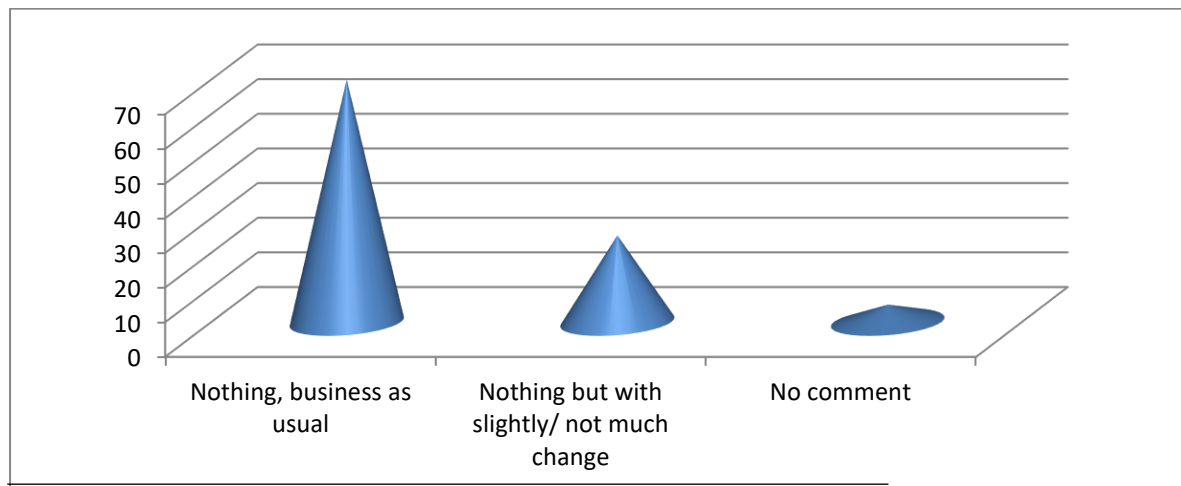


Figure 8.4: What different management practices are you using in your business after becoming B-BBEE compliant?

From Table 8.8 and the analyses in Figure 8.4, it was established that fourteen (70%) confirmed there were no different management practices or changes in the way their SMMEs were managed, before or after the B-BBEE intervention. This finding is therefore not true for Proposition 1.

Of the respondents, five (25%) indicated that they had made slight but not radical changes after the B-BBEE intervention, which meant a 95% response of indeed no changes after a business become B-BBEE compliant.

Feedback from the participants who indicated a slight change in the business after B-BBEE:

- Participant 6: " more paper work and meetings"
- Participant10: "business bigger to manage"
- Participant 14: "more administration".

Table 8.10 depicts some elements according to the scorecard in the B-BBEE Act to be re-addressed and the reasons thereof.

Table 8.10: Variable 8. Some elements according to the scorecard in the B-BBEE act to be re-addressed and the reasons and why?

		Frequency	%	Valid %	Cumulative %
Valid	Yes, elements must be re-addressed	17	85.0	85.0	85.0
	No, no elements must be re-addressed	1	5.0	5.0	90.0
	No comment	2	10.0	10.0	100.0
	Total	20	100.0	100.0	

The majority of the respondents, seventeen (85%), indicated that the elements in the score card, according to the Broad-Based Economic Empowerment Act of 2003, must be re-addressed. Some of the reasons given were:

Comments by the participants:

- Participant 5: "there must be more focus on development of skills"
- Participant 7: "turnover of the business must be excluded"
- Participant 9: "must update score card for financial gain for the enterprise"
- Participant 11: "B-BBEE should be voluntary"
- Participant 14: "allocation of points (weights) to be revisited"

- Participant 15: "focus more on development then ownership".

The respondents' recommendations are that the score card in the B-BBEE Act must be revised. The majority of the respondents regard skills development as more important because this can serve as a basis for black entrepreneurs starting a new venture and impart the skills to manage the venture.

Table 8.11 depicts if there are any barriers regarding the B-BBEE intervention that are experienced.

Table 8.11: Variable 9. Any barriers regarding the B-BBEE intervention experiences? Please clarify your answer

		Frequency	%	Valid %	Cumulative %
Valid	Yes	13	65.0	65.0	65.0
	No	3	15.0	15.0	80.0
	Not one of the two	1	5.0	5.0	85.0
	Neutral/no comment	3	15.0	15.0	100.0
	Total	20	100.0	100.0	

The feedback from thirteen respondents (65%) encountered problems in becoming B-BBEE compliant. The main reasons are:

- Participant 2: "yes, needed assistance from bookkeepers"
- Participant 7: "yes, need to use outside people"
- Participant 11: "the time factor for BEE registration"
- Participant 14: "difficult for small company to change ownership"
- Participant 16: "tenders allocated to bigger companies rather than smaller experts"
- Participants who indicated they had no problems supplied no reasons.

According to the literature, Booyesen (2015:1) regards the entrepreneur “As a person who undertakes a wealth-creating and value-adding process through developing ideas, assembling resources and making things happen”: In the case of variable 9 the entrepreneur did not “make things happen”.

Government should therefore streamline the process for a business to become B-BBEE compliant by making use of non-governmental organisations (NGOs) as a solution to become B-BBEE compliant as a solution suggested by the researcher.

Table 8.12 depicts how barriers were overcome.

Table 8.12: Variable 10. How did you overcome barriers? Please expand

		Frequency	%	Valid %	Cumulative %
Valid	Powerless & hoped for the best	5	25.0	25.0	25.0
	Took time & visited DTI	3	15.0	15.0	40.0
	Started to work as a sub-contractor waiting for the compliance	1	5.0	5.0	45.0
	No comment	11	55.0	55.0	100.0
	Total	20	100.0	100.0	

The analyses of the feedback from the participants indicated they were hindered in overcoming barriers in the process of becoming B-BBEE compliant. Of the twenty participants, nine (45%) encountered problems, whilst eleven (55%) made no comment.

Some of the overall same reasons were:

- Participant 3: "disappointing and too costly"
- Participant 12: "application too difficult"
- Participant 15: "huge costs"
- Participant 16: "too much work and paper load"
- Participant 19: "up to date financials are not always available but it [they] is [are]"

essential to apply for BEE”.

The outcome of this question contradicts Erasmus *et al.* (2013:49) who describe entrepreneurs as innovative and creative and who have the need to oversee their aims and goals and to be in control. In this case business owners did not show entrepreneurial skills for instance to be innovative.

The unanswered question from the analysis is why entrepreneurial characteristics did not solve this problem with regard to innovative, new challenges and problem solving. The researcher’s recommendation is consequently that government should streamline the process and use paperless applications.

Table 8.13 depicts reasons why businesses should comply with B-BBEE as an intervention by government.

Table 8.13: Variable 11: Provide reasons why businesses should comply with B-BBEE as an intervention by government?

		Frequency	%	Valid %	Cumulative %
Valid	Yes	6	30.0	30.0	30.0
	No	2	10.0	10.0	40.0
	Yes, but with certain conditions	11	55.0	55.0	95.0
	Neutral	1	5.0	5.0	100.0
	Total	20	100.0	100.0	

Some of the participants regard B-BBEE as important six (30%), eleven (55%) said yes but under certain conditions and fewer restrictions by government.

A few participants however agreed to an intervention under certain conditions:

- Participant 3: "be compensated for becoming BEE compliant"
 - Participant 8: "need government incentives"
 - Participant 11: "government should not enforce shared ownership"
 - Participant 15: "government must initiate infringement"
 - Participant 16: "B-BBEE must be voluntary and no pressure from government".
-

Two participants (10%) indicated no for becoming B-BBEE compliant and a reason: Participant 5: “no, only certain B-BBEE companies have the benefit of B-BBEE”.

There will be always varying degrees of satisfaction by people in any government intervention such as B-BBEE. A solution to overcome for instance this intervention may be that the government should put an easier way for in place for SMMEs to become B-BBEE compliant; for instance, reduce red tape. The respondents suggested an incentive scheme to benefit SMMEs. There is also the option to make use of non-governmental organisations (NGOs), or Commercial Banks.

Table 8.14 depicts the recommendations for participation in B-BBEE.

Table 8.14: Variable 12. What recommendations would you make regarding participation in B-BBEE based on your experience?

		Frequency	%	Valid %	Cumulative %
Valid	Need incentives	4	20.0	20.0	20.0
	More communication & guidelines	2	10.0	10.0	30.0
	Need motivation	2	10.0	10.0	40.0
	Need motivation; incentives	1	5.0	5.0	45.0
	Scrap B-BBEE which failed as an incentive	10	50.0	50.0	95.0
	crap B-BBEE which failed as an incentive; Need incentives	1	5.0	5.0	100.0
	Total	20	100.0	100.0	

The main outcome of this variable is that eleven (55%) of the participants indicate B-BBEE is a failure and must be removed as an intervention; they gave the following reasons:

- Participant 3: "after twenty-two years where are the "upcoming" black entrepreneurs"
- Participant 10: "composition of the economy is still not rectified"
- Participant 6: "need motivation"
- Participant 15: "empowerment failed, only for the rich people"
- Participant 16: "need to uplift communities failed"
- Participant 17: "ownership is a problem and needs to be self-regulated"
- Participant 18: "more discrimination than before".

The following strong outcome is that 16 (80%) of the participants want incentives to become B-BBEE compliant, as indicated by the participants' comments for this variable:

- Participant 5: "need more monetary remuneration by government or some tax relief"
- Participant 11: "incentives for skill development"
- Participant 13: "for a B-BBEE partner there must be something for motivation".

There is no clear indication from the respondents that B-BBEE as an intervention by government is a success. A recommendation by the researcher is that the score card must be revisited to undertake a re-allocation of marks for elements in it. A further recommendation is that there should be reconsideration of a contributions motivator for success instead of penalising SMMEs for not reaching their targets. Figure 8.5 illustrates the clouded business opportunities to become B-BBEE compliant.



Figure 8.5 Clouded business opportunities to becoming B-BBEE compliant

Figure 8.5 indicates the important elements of the cardinal variables that the researcher aimed to ask in the questionnaire and answered by the correspondents, namely business growth, strategy thinking, taking risks, saw opportunity, legislation, new venture and B-BBEE with conditions. The words in figure 8.5 represent the cardinal variables asked and the answers supplied by the correspondents.

The next section discusses the cross-tabulations of all the variables.

8.3.2 Cross-tabulations

This section depicts the cross-tabulations of variables 1, 2, 3, 6 and 9.

8.3.2.1 Frequency procedure of cross-table of Variables 1 by 2

Table 7.15 depicts the Cross tables of Variable 1: Give reasons for starting your own business in relation to Variable 2: What was the influence of B-BBEE on your management practices in your business?

Table 8.15: Variable1: All combinations * Variable 2: What was the influence of B-BBEE on your management practices in your business? Cross-tabulation.

V1: All combinations * V2: What was the influence of B-BBEE on your management practices in your business? Cross-tabulation					
V1: All combinations			V2: What was the influence of B-BBEE on your management practices in your business?		Total
			Yes	No	
Saw opportunity	Frequency		1	2	3
	% of Total		5.00%	10.00%	15.00%
Career change	Frequency		0	2	2
	% of Total		0.00%	10.00%	10.00%
New venture; saw opportunity	Frequency		0	3	3
	% of Total		0.00%	15.00%	15.00%
New venture; career change	Frequency		1	0	1
	% of Total		5.00%	0.00%	5.00%
New venture; career change; saw opportunity	Frequency		0	6	6
	% of Total		0.00%	30.00%	30.00%

All twenty (20) participants indicated that they had at least one entrepreneurial characteristic when they started their own businesses. Forty-five per cent of the participants mentioned that they possessed one skill when starting their businesses: Four persons were already running existing businesses; three saw an opportunity while two made career changes. Six participants listed a new venture, career change and new opportunity as the attributes they possessed when they started their businesses. Three persons mentioned “new venture” and saw “opportunity”, (13) listed new venture and career change while another respondent listed existing business, career change and spotting an opportunity as an entrepreneurial attribute when starting their businesses. These attributes agree with some of the entrepreneurial attributes identified. Booyen (2015:11) indicated the following findings regarding entrepreneurs; authors who echoed the same view are: Niewenhuizen and Rossouw (2012:396), Ngek and Smit (2013:3044 & 3048), Tengeh (2011:38) and Van Gijsen (2013:3).

Other entrepreneurial characteristics include: Starting their own business, perseverance, confidence, taking immediate decisions, willingness to take risks, creative and innovative ability; insight into the economy and finances, wealth creation and adding value (Wickham (2006:3)).

Of the twenty respondents, only two responded positively to the variable whether B-BBEE had improved their entrepreneurial skills. One respondent who felt that B-BBEE had improved his/her skills, listed “saw opportunity” as the skill he/she possessed when starting the business, while the other person listed new venture and career change as his/ her initial skills. The skills of the eighteen participants who responded negatively to the variable whether B-BBEE had improved their entrepreneurial skills were described in the previous paragraph.

The analysis confirms that entrepreneurial skills are essential for starting a business. Table 7.16 depicts the frequency, percent, cumulative frequency and cumulative percent of cross-table of variable 1 compared to 3.

8.3.2.2 The frequency procedure of cross-table of variables 1 compared to 3

Table 7.16 illustrates the Cross-tables of Variable 1: Give reasons for starting your own business with variable 3: Strategies that played a role to become B-BBEE compliant in terms of:

- 3.1 strategic thinking
- 3.2 taking risks
- 3.3 new opportunities.

Table 8.16: V1: All combinations * V3: All combinations cross-tabulations

V1: All combinations * V3: All combinations Cross-tabulation										
V1: All combinations		V3: All combinations								Total
		New opportunities	New opportunities; Legislation	Taking risks	Strategic thinking	Strategic thinking; legislation	Strategic thinking; new opportunities	Strategic thinking; new opportunities; legislation	Strategic thinking; new Opportunities; legislation ; taking risks	
Saw opportunity	Frequency	1	0	1	0	1	0	0	0	3
	% of Total	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	0.0%	0.0%	15.0%
Career change	Frequency	1	0	0	0	1	0	0	0	2
	% of Total	5.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	10.0%
New venture; saw opportunity	Frequency	1	0	0	1	0	0	0	1	3
	% of Total	5.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	5.0%	15.0%
New venture; career change	Frequency	0	0	0	0	1	0	0	0	1
	% of Total	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.0%	0.0%	5.0%
New venture; career change; saw opportunity	Frequency	1	0	0	1	0	3	1	0	6
	% of Total	5.0%	0.0%	0.0%	5.0%	0.0%	15.0%	5.0%	0.0%	30.0%
Existing business	Frequency	3	1	0	0	0	0	0	0	4
	% of Total	15.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%
Existing business; career changes; saw opportunity	Frequency	0	0	0	0	0	0	0	1	1
	% of Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%
	Frequency	7	1	1	2	3	3	1	2	20
	% of Total	35.0%	5.0%	5.0%	10.0%	15.0%	15.0%	5.0%	10.0%	100.0%

The six (30%) participants who listed “new venture”, “career change” and “saw opportunity” from characteristics they possessed when they started their businesses, followed different strategies to become B-BBEE compliant: three of them made use of strategic thinking and new opportunities; one each utilised new opportunities and strategic thinking whereas one used a combination of strategic thinking, new opportunities, and legislation as strategies.

The four participants who mentioned existing businesses listed new opportunities or a combination of new opportunities and legislation as their strategies. A strategy of taking risks was followed by just three participants. One listed “saw opportunity” as for expanding the business. Two participants listed taking risks along with strategic thinking, new opportunities, and legislation as the strategies they followed. The analyses indicate that entrepreneurial characteristics remain the same before and after becoming B-BBEE compliant. These skills fit the description of Smith (2010:1) who quoted Mr. Anthony Farr; Chief Executive officer of Allan Grey Orbis Foundation, who emphasised that a potential entrepreneur must:

- strive for excellence
- have an intellectual imagination
- to be self-directed,
- show initiative and commitment.

In the next section, the frequency procedure of cross-table of variables 1 compared to 9 is described.

8.3.2.3 The frequency procedure of cross-table of variables 1 compared to 9

Table 8.17 depicts the cross tables of Variable 1 with Variable 9: Give reasons for starting your own business: What, if any barriers regarding the B-BBEE intervention did you experience? Please clarify your answer.

Table 8.17: V1: All combinations * V9: Were there any barriers that you experienced to become B-BBEE compliant?

V1: All combinations *V9: Were there any barriers that you experienced to become B-BBEE? Cross-tabulation							
V1: All combinations		V9: Were there any barriers that you experienced to become B-BBEE?				Total	
		Yes	No	Not one of the two	Neutral/no comment		
	Saw opportunity	Frequency	1	1	0	1	3
		% of Total	5.0%	5.0%	0.0%	5.0%	15.0%
	Career change	Frequency	2	0	0	0	2
		% of Total	10.0%	0.0%	0.0%	0.0%	10.0%
	New venture; saw opportunity	Frequency	3	0	0	0	3
		% of Total	15.0%	0.0%	0.0%	0.0%	15.0%
	New venture; career change	Frequency	1	0	0	0	1
		% of Total	5.0%	0.0%	0.0%	0.0%	5.0%
	New venture; career change; saw opportunity	Frequency	4	1	0	1	6
		% of Total	20.0%	5.0%	0.0%	5.0%	30.0%
	Existing business	Frequency	2	0	1	1	4
		% of Total	10.0%	0.0%	5.0%	5.0%	20.0%

	Existing business; career changes; saw opportunity	Frequency	0	1	0	0	1
		% of Total	0.0%	5.0%	0.0%	0.0%	5.0%
	Total	Frequency	13	3	1	3	20
		% of Total	65.0%	15.0%	5.0%	15.0%	100.0%

The extent to which participants experienced barriers to becoming B-BBEE compliant varied from yes, or no to neutral/no comment, regardless of which skills they possessed when starting their businesses. For example, one participant “saw opportunity” as an option for barriers, one did not and one was neutral or did not want to comment on the issue.

Four participants who reported the combinations of new venture, career change and seeing an opportunity indicated that they experienced barriers, while one of the two participants with the same combination of characteristics did not experience any barriers and another one did not comment or was neutral.

From the study it seems that having opportunities when starting a business did not prevent the participants from experiencing barriers to becoming B-BBEE compliant. In the next section the frequency procedure of cross-table of variables 1 compared to 10 will be discussed.

8.3.2.4 The frequency procedure of cross-table of variables 1 compared to 10

In Table 8.18 the Cross tables of variable 1 compared to 10 are discussed: Give reasons for starting your own business by variable 10: How did you overcome some barriers? Please expand. Table 7.18 depicts the frequency procedure of the above-mentioned questions: the frequency, percent, cumulative frequency and cumulative percent.

Table 8.18: V1: All combinations * V10: All combinations Cross-tabulation

V1: All combinations * V10: All combinations Cross-tabulation						
V1: All combinations		V10: All combinations				Total
		Powerless & hope for the best	Take time & visited DTI	Started to work as a sub-contractor waiting for the compliance	No comment	
Saw opportunity	Frequency	0	1	0	2	3
	% of Total	0.0%	5.0%	0.0%	10.0%	15.0%

Career change	Frequency	1	0	0	1	2
	% of Total	5.0%	0.0%	0.0%	5.0%	10.0%
New venture; saw opportunity	Frequency	0	0	0	3	3
	% of Total	0.0%	0.0%	0.0%	15.0%	15.0%
New venture; career change	Frequency	0	1	0	0	1
	% of Total	0.0%	5.0%	0.0%	0.0%	5.0%
New venture; career change; saw opportunity	Frequency	2	0	1	3	6
	% of Total	10.0%	0.0%	5.0%	15.0%	30.0%
Existing business	Frequency	2	1	0	1	4
	% of Total	10.0%	5.0%	0.0%	5.0%	20.0%
Existing business; career changes; saw opportunity	Frequency	0	0	0	1	1
	% of Total	0.0%	0.0%	0.0%	5.0%	5.0%
Total	Frequency	5	3	1	11	20
	% of Total	25.0%	15.0%	5.0%	55.0%	100.0%

Some of the respondents regard the ability to recognise an opportunity as a characteristic of entrepreneurs: 13 or (65%) indicated that they made no effort or initiative to accelerate the application to become B-BBEE compliant. On the other hand, 3 respondents (15%) tried to become B-BBEE compliant by seeking help, assistance or visiting DTI for rapid assistance. Mohr (2015:45) describes entrepreneurs as persons who are willing to run a business or as an innovator and a person who can take risks to start a new business.

The next section describes the frequency procedure of cross-table Variables 2 compared to 3 and cross table variables 2 compared to question 4.

8.3.2.5 The frequency procedure of cross-table Variables 2 compared to 3

Table 8.19 depicts the Cross tables of Variable 2 with variable 3: What was the influence of B-BBEE on your management practices in your business? Variable 3: What were the strategies that played a role in your business becoming B-BBEE compliant in terms of:

- 3.1 strategic thinking
- 3.2 taking risks
- 3.3 new opportunities.

All combinations

Table 8.19 depicts the frequency procedure of the frequency, percent, cumulative frequency, and cumulative percent.

Table 8.19: The frequency procedure of cross-table Variables 2 compared to 3

Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
V3: All combinations * V2: Do you think that B-BBEE improved your entrepreneurial skills by managing & developing your business?	20	100.0%	0	0.0%	20	100.0%

V3: All combinations * V2: What was the influence of B-BBEE on your management practices in your business? Cross-tabulation					
V3: All combinations			V2: What was the influence of B-BBEE on your management practices in your business? Cross-tabulation		Total
			Yes	No	
New opportunities	Frequency		0	7	7
	% of Total		0.0%	35.0%	35.0%
New opportunities; Legislation	Frequency		0	1	1
	% of Total		0.0%	5.0%	5.0%
Taking risks	Frequency		0	1	1
	% of Total		0.0%	5.0%	5.0%
Strategic thinking	Frequency		0	2	2
	% of Total		0.0%	10.0%	10.0%
Strategic thinking: legislation	Frequency		2	1	3
	% of Total		10.0%	5.0%	15.0%
Strategic thinking; new opportunities	Frequency		0	3	3
	% of Total		0.0%	15.0%	15.0%
Strategic thinking; new opportunities; legislation	Frequency		0	1	1
	% of Total		0.0%	5.0%	5.0%
Strategic thinking; new opportunities; legislation; taking risks	Frequency		0	2	2
	% of Total		0.0%	10.0%	10.0%
Total	Frequency		2	18	20
	% of Total		10.0%	90.0%	100.0%

The purpose of Variable 2 was to establish whether B-BBEE as an intervention by government, had any effect on entrepreneurial skills and the way the businesses are managed. B-BBEE had no effect on 18 respondents, (90%), while 15 (75%) indicated that they regarded becoming B-BBEE compliant an opportunity, which the literature study confirms as entrepreneurial skills and characteristics.

The (90%) once again confirms that B-BBEE as an intervention had no impact on the participants' businesses. Only two participants (10%) answered yes, the intervention had an effect: a result that can be regarded as not significant.

The next section describes the frequency procedure of cross-table Variables 2 compared to 4.

8.3.2.6 The frequency procedure of cross-table Variables 2 compared to 4

Table 7.20 illustrates the Cross tables of Variable 2 with Variable 4: What was the influence of B-BBEE on your entrepreneurial skills for managing and developing your business? Important elements of before and after B-BBEE in terms of:

- business growth or expansion
- the use of budgets
- forecasting the future
- business environment
- analysing financials
- All combinations

Table 8.20 depicts the frequency procedure of the frequency, percent, cumulative frequency, and cumulative percent.

Table 8.20: V4: All combinations * V2: What was the influence of B-BBEE on your management practices in your business? Cross-tabulation

V4: All combinations * V2: Do you think that B-BBEE improved your management practices in your business? Cross-tabulation				
V4: All combinations		V2: What was the influence of B-BBEE on your management practices in your business? Cross-tabulation		Total
		Yes	No	
None	Frequency	0	1	1
	% of Total	0.0%	5.0%	5.0%
Use of budget; business environment	Frequency	0	1	1
	% of Total	0.0%	5.0%	5.0%
Use of budget; forecasting the future	Frequency	0	1	1
	% of Total	0.0%	5.0%	5.0%
Business growth; forecasting the future; business environment	Frequency	0	2	2
	% of Total	0.0%	10.0%	10.0%
Business growth; use of budgets	Frequency	0	2	2
	% of Total	0.0%	10.0%	10.0%
Business growth; forecasting the future; business environment; use of budgets	Frequency	2	11	13
	% of Total	10.0%	55.0%	65.0%
Total	Frequency	2	18	20
	% of Total	10.0%	90.0%	100.0%

From this cross-tabulation of Variables 2 and 4 the comparison indicated differences between SMMEs before and after B-BBEE intervention. In total 19 (95%) indicated that there were no differences in the way their business was operating. The respondents confirmed that they continued to use the same managerial tools as they did before becoming B-BBEE compliant. Fourteen (70%) of those make use of budgets while 15 (75%) did so for expansion or business growth

8.3.2.7 The frequency procedure of cross-table Variables 3 compared to 7

Table 8.21 illustrates the Cross tables of Variable 3 compared to 7. Variable 3: What were the strategies that played a role in your business becoming B-BBEE compliant in terms of:

- strategic thinking
- taking risks
- new opportunities.

Variable 7: What different management practices are you using in your business after becoming B-BBEE compliant? Table 8.21 depicts the frequency procedure of the frequency, percent, cumulative frequency, and cumulative percent.

Table 8.21: V3: All combinations * V7: What did you do differently in managing your business after becoming B-BBEE compliant? Cross-tabulation

V3: All combinations * V7: What did you do differently in managing your business after becoming B-BBEE compliant? Cross-tabulation					
V3: All combinations		V7: What did you do differently in managing your business after becoming B-BBEE compliant?			Total
		Nothing, business as usual	Nothing but with slightly/ not much change	No comment	
New opportunities	Frequency	5	1	1	7
	% of Total	25.0%	5.0%	5.0%	35.0%
New opportunities; Legislation	Frequency	1	0	0	1
	% of Total	5.0%	0.0%	0.0%	5.0%
Taking risks	Frequency	1	0	0	1
	% of Total	5.0%	0.0%	0.0%	5.0%
Strategic thinking	Frequency	2	0	0	2
	% of Total	10.0%	0.0%	0.0%	10.0%
Strategic thinking: legislation	Frequency	2	1	0	3
	% of Total	10.0%	5.0%	0.0%	15.0%
Strategic thinking; new opportunities	Frequency	2	1	0	3
	% of Total	10.0%	5.0%	0.0%	15.0%
Strategic thinking; new opportunities; legislation	Frequency	0	1	0	1
	% of Total	0.0%	5.0%	0.0%	5.0%
Strategic thinking; new opportunities; legislation; taking risks	Frequency	1	1	0	2
	% of Total	5.0%	5.0%	0.0%	10.0%
Total	Frequency	14	5	1	20
	% of Total	70.0%	25.0%	5.0%	100.0%

The important deduction from this cross-table analysis is that 95% of the participants possess some element/s of entrepreneurial skills. Schumpeter (1934:46) identified skills of entrepreneurs: “Innovator, implements change, combines different business-related goods, production, new materials or parts, creates new opportunities”. Other authors agree: Ngek and Van Aard Smit (2013:2044-3046); Coetzee (2013:507) and Erasmus, Strydom and Rudansky-Kloppers (2013:30). The participants also indicated that nothing has changed in their business from before B-BBEE and after B-BBEE was implemented. Three respondents (15%) indicated that although there were no changes, some slight adaptations or adjustments had to be made; for instance, more paper work than before.

In the next section, the frequency procedure of cross-table Variables 3 compared to 7 is illustrated.

8.3.2.8 The frequency procedure of cross-table Variables 6 compared to 11

Table 8.22 illustrates the Cross tables of Variable 6 with Variable 11: What are the advantages and disadvantages to being B-BBEE compliant? Provide reasons why businesses should comply with B-BBEE as an intervention by government.

Table 8.22 depicts the frequency procedure of the rate of references, percent, cumulative frequency, and cumulative percent.

Table 8.22: V6: All combinations *V11: Do you think there are definitely reasons why the businesses should comply with B-BBEE as an intervention by government? Cross-tabulation

		V11: Do you think there are definitely reasons why the businesses should comply with B-BBEE as an intervention by government?				
		Yes	No	Yes, but with certain conditions	Neutral	Total
Disadvantages only	Frequency	1	0	1	0	2
	% of Total	5.0%	0.0%	5.0%	0.0%	10.0%
Advantages & Disadvantages	Frequency	5	2	10	1	18
	% of Total	25.0%	10.0%	50.0%	5.0%	90.0%
	Frequency	6	2	11	1	20
	% of Total	30.0%	10.0%	55.0%	5.0%	100.0%

The aim of the variable was to determine whether B-BBEE as an intervention had advantages or disadvantages for the participants. B-BBEE as an advantage was confirmed by 85% of the respondents whilst 35% indicated that there were merely disadvantages. One respondent stayed neutral (10%) while 11 (55%) linked advantages to certain conditions. Respondents mentioned advantages such as the opportunity to tender for government projects; doing business with other BEE compliant businesses; business growth and job creation. Certain conditions that varied from incentives such as tax alleviation, concessions, enhancing skill development to score card changes, were identified by eleven (11) respondents.

8.4 Outcomes of the research question and propositions

In the next section, the primary research question and proposition

8.4.1 Primary research question and objective

The primary research question and objective of the study was “...*Are there significant differences between SMMEs before and after the B-BBEE intervention?*” The research question to be answered is reflected in Tables 7 and Cross-tabulation 19. Fourteen (70%) of the respondents indicated that nothing in their businesses had changed: it was ‘business as usual’. Of the total of twenty respondents, (25%) also indicated no change, but with just a slight adjustment; for instance, more paperwork, administration or added managerial activities are required. It can therefore be assumed that 95% indicated that there was no significant difference before and after B-BBEE as an intervention. The research question is therefore answered by the data collected: that there are no differences between SMMEs before and after B-BBEE as an intervention by the South African Government.

The next section aims to analyse the different questions that were posed in the study.

8.4.1.1 Does B-BBEE intervention influence the entrepreneurial skills of SMME owners?

From Table 18 (Cross-tables) regarding the influence of B-BBEE on entrepreneurial skills for managing and developing your business with Variable 4: Describe important elements identified from before and after B-BBEE, in terms of:

- 4.1 business growth or expansion
- 4.2 the use of budgets
- 4.3 forecasting the future
- 4.4 business environment
- 4.5 analysing financials
- 4.6 control deviations.

The results were that 95% of the respondents mentioned that B-BBEE had no effect on their management skills. The same outcome is reflected in Table 3. One may therefore deduce that except for one of twenty respondents, B-BBEE as an intervention had no influence on their entrepreneurial skills. An entrepreneur will always, according to Chapter 3, possess entrepreneurial and management attributes

such as identifying an opportunity to start and manage a business. Therefore, it can be assumed that there were no differences in managerial skills before and after B-BBEE as an intervention. This corresponds with the definition of an entrepreneur used by the researcher for this study: Entrepreneurs are the pioneers in avidly seeking opportunities in an uncertain turbulent economy, with the intention of starting and growing a successful business.

8.4.1.2. Does B-BBEE have an impact on skills development of SMME business owners managing a business?

B-BBEE has no impact on skills development of SMME owners managing a business. In Table 2, 90% of the respondents indicated that it had no impact. The most interesting observation with respect to skills development is the analysis of Variable 8: According to the scorecard in the B-BBEE Act Some elements had to be re-addressed: which ones and why?

The new revised Scorecard (B-BBEE Act, No.53, Sections 9 and 12) changed the points that can be earned by enterprises to become B-BBEE compliant. Points are allocated for Black Ownership: 25, Managerial Control: 15 and Skills Development: 25. Eighty-five percent (85%) of the respondents indicated a clear 'yes' - that the scorecard must be revisited. Amongst others, a suggestion was made that skills development must rate a higher score than black ownership. If a person has skills regarding:

- Business management: the ability to adapt the business on an ongoing basis so that it remains viable;
 - General management: solving problems and decision making;
 - Financial management: including making investments, ensuring profitability and managing/ monitoring cash flow;
 - Other skills such as in credit management, marketing management, human resources management, information management, operational management and knowing more about the other functions of business (Niewenhuizen & Rossouw (2012:13).
-

To sum up this point: respondents indicated that if a person had the necessary ability to start their own successful business as a black owner; thus, the points allocated should be higher for skills than black ownership.

A further suggestion was that, as indicated by (30%) of respondents in Table 11 and (40%) of respondents in Table 12 (40%), incentives by government would enhance the issue of skills development and provide financial assistance. This may lead entrepreneurs to regard Black Economic Empowerment as an opportunity rather than a threat.

8.4.1.3. Is B-BBEE regarded as an important factor for economic transformation?

It can be deduced from Table 5.1 that just seven respondents (35%) were positive about B-BBEE as an intervention in the economy of South Africa. The reasons that the other respondents were not enthusiastic were:

- there cannot be political and environmental changes without economic changes
- there are too few new opportunities and to grow and expand their business.

The participants who do not regard B-BBEE as a success gave the following reasons:

- the intervention failed the purpose
- it slowed down the growth of the business and the economy
- it has had no positive effect
- the Act is driven by legislation and not according to the free market system.

8.5 Conclusion

This chapter validates and explains how entrepreneurs perceive the impact of B-BBEE, as an intervention, on their entrepreneurial characteristic activities, businesses and the South African economy. Data gathered were statically expressed using frequency tables and cross-table analysis. Using a Chi-square would have been a more appropriate method of analysis but due to the small sample it was not possible. The data were collected by the in-depth Interview method. With the data having been collected and analysed, the research question and propositions were addressed. B-

BBEE had no influence as an intervention before or after businesses became B-BBEE compliant.

The Broad-Based Black Economic Empowerment policy is a very controversial and sensitive topic in the South African business environment. This intervention, forced by legislation, is a design tailored for South African conditions, with the aim of empowering previously disadvantaged black people. This intervention will not and cannot be introduced to any other countries due to its unique composition and conditions in South Africa.

Regarding the failure of the attempt to collect data by a survey, the researcher assumed that B-BBEE is sensitive in South Africa. The question also arises whether this is the case or whether it might be due to a lack of input. This accentuates the need for the study.

The researcher considers there is a possibility no one is prepared to go public with their B-BBEE status, or any information about B-BBEE. The government is adamant in correcting the wrongs of the past committed by the previous regime, by means of BEE. For procurement and to do business with a BEE business, the customer must itself be BEE compliant. For example, if this is not the case, no government tenders can be tendered for.

Businesses are categorised into levels as mentioned in Chapter 5, according to points on the scoreboard. The higher the level the more is a business regarded as B-BBEE compliant. If the goal to become B-BBEE compliant is not reached, the enterprise will be moved to the level below. This is one of the penalties in the Act and the new scorecard introduced in 2016. The government wants to accelerate a quicker transformation by means of B-BBEE legislation.

From the data collected it is evident that there are participants who regard B-BBEE as important, recognising that transformation is needed. They are willing to assist but not if it is a millstone around their neck: it must come as a natural process. Certain participants are against the intervention altogether and negative about it, with some reason. It would help if government were to assist with some kind of incentive instead

of negatively penalising business owners if the targets are not reached. This is a self-evident and not an opinion that after twenty years of a democratic country there are still inequalities.

Some business owners regard B-BBEE as a failure, asking the question why the black entrepreneurs have not emerged. In addressing this issue, all the participants agreed that skills development is the most important factor to equip black entrepreneurs to start their own ventures. To enable this to take place the participants recommend that the scorecard must be revisited and adjusted commensurately.

The research question was addressed and proven; there are no differences in SMMEs before and after B-BBEE intervention as discussed earlier in section 7.2. B-BBEE will always be a sensitive issue and the researcher recommends firstly that entrepreneurs must work together with government to make a success of B-BBEE, which will benefit both parties, and secondly, that government must revisit the scorecard with specific reference to skills development.

CHAPTER 9

MANAGEMENT IMPLICATIONS AND RECOMMENDATIONS.

9.1 Introduction

The study centred on analysing the impact of Broad-Based Black Economic Empowerment on small businesses in the Gauteng Province of South Africa. Selected enterprises had to be small and B-BBEE compliant. The purpose of the research was not to examine SMME's with BEE partners. Interviews were conducted with owners of 20 business who were randomly and anonymously selected. All 20 enterprises are sole-owned by owners and or owner/ managers. The theoretical study formed part of the research; primary data was gathered by means of semi-structured in-depth interviews. Based on the study, it became apparent that any research in the field of entrepreneurship must address the unique demands of the business owners, the enterprise, economic conditions and the demands of the consumer.

In Chapter 1, the introduction and background of the study, its rationale, were discussed. The research question and objectives of the study as well as the scope and research methodology were introduced. Broad-Based Black Empowerment was briefly mentioned as an intervention made by the government of South Africa with the aim of rectifying certain inequalities such as in the economy.

Chapter 2 described the theories of entrepreneurship, small businesses and the entrepreneurial process. The different theories of entrepreneurship were discussed, such as the economic, psychological, sociological/ anthropological ones. Other theories that were also addressed were the opportunity-based, cultural, theory of locus of control and resource-based ones. Theories conceptualising small businesses were identified and discussed. The chapter also addressed the entrepreneurial process theories and indicated different steps in the process.

Chapter 3 considered the historical and economic development of South Africa and offered a brief history of South Africa's politics and economy prior to 1994. Attention was given to the impact on the South African economy. The literature review investigated relevant research publications. The chapter's main aims were to

emphasise the effect of discrimination, restrictions and inequalities on the previously disadvantaged people.

Chapter 4 described the entrepreneurial process, definitions and characteristics of entrepreneurs. Attention was given to the definition and types of entrepreneurial processes, different definitions of an entrepreneur and such a person's characteristics. The researcher conducted a literature study to probe the different definitions of an entrepreneur and his/her attributes. This chapter demonstrated entrepreneurship as one of the productive factors in the South African economy. The researcher developed his own definition of an entrepreneur.

Chapter 5 discussed the importance of SMME's: their role in the development of the economy, their importance and contribution to the creation of jobs and the distribution of wealth. A literature study was carried out to compare the definitions of SMME's in different countries with the definition by the Department of Trade and Industry as proclaimed in the National Small Business Amendment Act in 2003.

Chapter 6 focused on the history, origin and the purpose of B-BBEE; also on interventions in other countries as in South Africa. The origin and emergence of BBEE were discussed together with the impact and institutional effects of B-BBEE as a legislative intervention in the economy. The different interventions and instruments introduced by the African National Congress were explained; their purpose was to address inequalities that still exist in South Africa despite more than twenty years of ANC government. The components and weighted elements of the generic B-BBEE scorecard were discussed.

The topic of Chapter 7 was the empirical study: its analysis, interpretation and discussions concerning it. The purpose of the study was elaborated, while the research methodology and its components were discussed. These included the research design, as well as the research process that amongst other issues encompassed the population, sampling and sampling techniques. The data collection process and procedures, data analysis, and methods of data verification were considered in detail. Attention was given to the ethical process so that participants would be assured of confidentiality. This was guaranteed regarding the name, age of

the owner, name and type of business, period in business, number of employees and personal financial information.

Chapter 8 offered the analysis, interpretations and discussions of the empirical study. The analysis of the data was undertaken from twenty in-depth interviews conducted to answer the primary question of the study: "...are there significant differences between SMME's before the B-BBEE intervention and SMME's after the B-BBEE intervention?" In this chapter, there is a description of variables as well as the types of analyses that were conducted, namely frequency analyses and cross-tabulations. A report of the findings and results is provided to answer the research question and propositions.

Chapter 9 addresses the implications and recommendations for the following stakeholders:

- Entrepreneurs
- Policy makers
- Owners managing their businesses
- The private sector.

These different role players play a role in the economy, the implications of which are examined, while recommendations are made, derived from the analysed data.

These recommendations could be adopted for practical implementation by the different stakeholders as mentioned above.

9.2 Implications

In the literature study different countries were identified which implement government interventions for a specific purpose. The interventions are usually implemented to protect certain ethnic groups or to promote economic activities. The difference between South Africa's B-BBEE interventions versus interventions in the other countries is that in South Africa the majority of the population is protected and promoted whilst in the other countries discussed in chapter six the minority of the population are protected and promoted. B-BBEE is a unique intervention in South Africa instituted for the business environment, with the aim to foster black entrepreneurs and black ownership and to develop the skills of this sector of the

population in this environment. It was noted that the apartheid government left a legacy of discrimination against the majority inhabitants that influenced the data sampling for this thesis.

9.3 RECOMMENDATIONS

9.3.1 Entrepreneurs

Entrepreneurs are not directly involved in the formulation of policy and legislation in South Africa. In the study, the importance of entrepreneurs and their roles in the economy were discussed as well as their skills. It is clear that entrepreneurs differ from one another, displaying varying characteristics such as an inner locus of control, self-efficacy, entrepreneurial intentions, need for achievement and entrepreneurial activity, according to Bux (2016:45).

From the research undertaken, the outcome indicated that 65% participants started their businesses by recognising opportunities, whilst 50% (Table 8.2) embarked on a new venture due to a career change. These reasons afford an indication of two entrepreneurial skills noted from the literature surveyed in chapter four. Entrepreneurship must be supported, encouraged and regarded as a valuable asset for economic growth and job creation. Policy makers could make a valuable contribution to entrepreneurship.

The following recommendations suggested for entrepreneurs are:

- Education and skills development in the workplace are the keys to success
 - Talent is often the only skill but sometimes hard work is more important than talent
 - Planning is crucial
 - Knowledge of the financial aspects regarding a business
 - Entrepreneurs are risk takers; therefore, environmental scanning will be an advantage in decision making
-

- Entrepreneurs must become aware of and the impact of B-BBEE on the business.

9.3.2 Policy makers

The current governing political party in South Africa is the African National Congress. Members of parliament are selected and voted for in a democratic way. These people represent their communities by passing legislation.

To recapitulate: Broad-Based Black Economic Empowerment is a legislative initiative by the government and enacted by parliament to intervene in the economy of South Africa so as to ensure transformation of racial discrimination and uplift the previously disadvantaged black people. Amongst the respondents 60% indicated B-BBEE has a negative effect on their businesses and 65% on the economy.

An investigation was conducted into interventions by other countries to address their unique problems and intentions. The researcher experienced the notion that enforcement plays a dominant role in the current situation. B-BBEE is a specific, unique intervention only applicable in South Africa.

Based on this discussion, the following recommendations regarding the implementing of B-BBEE are to:

- Revisit the scorecard to change the weight of the elements.
 - Place more emphasis on the skills development of people instead of on black ownership. The purpose of such development is to develop the skills which black people might need, for instance the starting of a business, running, managing a business, financials, budgets, and control. Equipped with sufficient skills, more black people will be able to start their own business. This action will make black ownership obsolete as an element in the scorecard;
-

- Exclude turnover from the definition of a SMME. A very small business, consisting only of the owner, may have a high turnover due to seasonable supply and demand.
- Give tax relief or compensation for skills development (one of the elements in the scorecard) of black people and
- Leave the matter of black ownership to market forces.

Recommendations by the researcher:

- Policy makers should review and evaluate the B-BBEE Act, with emphasis on the elements and weights of the scorecard. This must be done in a constitutional framework to empower people to transfer knowledge, skill and enterprise development. Government and Non-Government Organizations should, in collaboration with commercial banks, decide on a policy with the aim of assisting entrepreneurs to gain access to financial aid
 - The curriculum of schools must be revisited. The education policy should be altered, so that the subject of Entrepreneurship becomes compulsory, especially at high school. If necessary, the training of educators should be brought up to standard for teaching the subject. Courses should be made available to them on a regular basis. Education is regarded as a professional career, just like the medical profession. The Health Professions Council of South Africa requires medical practitioners to continually update their skills and professional knowledge. Practitioners are required to accumulate 30 Continuing Education Units from conferences, seminars and courses, protecting the public and guiding the professions (Health Professions Council of South Africa, 2017:1)). In the same way the South African Council for Educators requires what it terms a CPTD system this could be a useful instrument if well implemented for educators, in measuring their levels of knowledge and expertise. It is therefore necessary for the Department of Education to make Entrepreneurship a compulsory subject in Secondary Schools. This will introduce learners in the world of business and business management.
-

- Experiential learning is an option for on the job training, to train potential entrepreneurs to become eventually owners of their own businesses.
- A series of short courses and workshops provided by public institutions and public training centers in entrepreneurship could be introduced
- Mentorship for skills development could be supported by the government in collaboration with the private sector
- Though the wrongs of the past should be corrected B-BBEE must not be the main instrument of policy makers. Government should assist existing SMME owners when skill developments is implemented with a tax levy.
- Private companies could enter into a partnership with young black entrepreneurs to assist them, where necessary, to deal with business principles and challenges.

9.3.3 Owners managing their businesses

Owners of a business can often be regarded as entrepreneurs. Their aspirations are compatible, dynamic and highly competitive. Owners are sometimes managers of the business (in the In Depth-Interviews) it was evident that all the participants were managers of their businesses); hence it is important that owners and or managers also acquire management skills, while mutual dependence with workers is crucial and the former must be excellent negotiators.

Recommendations by the researcher:

- Table 8. Only 13 participants (30%) indicated that for a business to be B-BBEE compliant, such legislation needs to be implemented as an intervention to alter the composition of the economy. Managers and business owners must have and or acquire knowledge about the effects of the implementation and the reasons for becoming B-BEE compliant.

Respondents indicated entrepreneurial skills must be enhanced in terms of managing B-BBEE as an advantage and in challenging both the owner and the business. It is consequently recommended that:

- Business owners form business relations in their industry and build a network for support
- Private enterprises enter business partnerships with young educated black people who want to start a business.

9.3.4 Private sector

Strategic collaboration between businesses in the private sector is required. Government interventions can enhance capabilities and generate new applications from existing knowledge. To accept and manage B-BBEE as a legal intervention, the private sector is in the position to share its knowledge and bring about innovative solutions. Owners of enterprises are aware of and understand the economic situation and will be assets in changing the environment, bringing in new technology and new legislation to ensure the survival and success of the enterprise.

Challenges facing SMME's in South Africa include, according to Lekhanya (2016:178), the lack of skilled staff, demanding economic conditions, burdensome regulations and a difficulty in accessing finance. Skills development, managing scarce resources, as well as developing expertise are contributions which the private sector could make available in the SMME environment.

Based on this discussion, the researcher makes the following recommendations that may be implemented:

- Employers could provide guidance to develop young and upcoming entrepreneurs
 - All role-players must strive to a, stable and balanced economic growth, maintained and contributing towards job creation
 - The private sector must be involved in the SMME community; for example, sponsoring an enterprise; by so doing, five points will be earned according to the B-BBEE Act's score card for socio-economic development
-

- It could give bursaries to talented young black persons for them to study entrepreneurship
- It could contribute to the building of more schools to offer better education for the black youth, as part of socio-economic development as indirect empowerment according to the B-BBEE scorecard
- It might start an internship programme for potential black entrepreneurs, with emphasis on entrepreneurial skills development
- It could involve experienced top level management of businesses, offering managerial and leadership support to black owned enterprises for them to become successful.
- Members of the private must be committed for development of skills, job creation and empowerment of black entrepreneurs.

9.4 Summary and findings

B-BBEE legislation has been instituted against the background of South Africa's injustice and economic inequality. It is clear from the results that the respondents are negative about B-BBEE and regard the intervention as a failure and a burden. B-BBEE is driven by legislation but it has not succeeded as a successful intervention in the economy. In an open capitalist economy such as South Africa, this issue should however resolve itself through the market mechanism.

It seems that after more than twenty years of democracy, in South Africa, no progress has been made. Even the B-BBEE Act of 2003 was unsuccessful in allowing a wide range of black entrepreneurs to emerge. Government should indeed follow another route to bring about change and promote black entrepreneurship. The recommendations and suggestions that have been discussed in paragraph 9.3 could be used as guidelines for a more effective way that will accommodate all stakeholders. Lekhanaya (2016:76) carried out a survey with 150 respondents where survey questionnaires were sent out on a random basis to SMME's. Of these 127 were returned, yet not fully completed or sufficiently acceptable to provide a scientific

conclusion. Reasons given by the researcher were that the questionnaires were not completed due to lack of interest, recipients were not prepared to spend time completing the questionnaire while some wanted monetary compensation for doing so.

- As indicated, the primary objective of the study was to answer the research question. From the data analyses the conclusion can be arrived at that no significant differences were observed by SMMEs before the B-BBEE intervention and after it.

The propositions of this research are:

- Proposition 1: Owners of SMMEs are not more capable of managing their business after B-BBEE intervention.

In terms of proposition 1, it cannot be proved because 90% of the respondents indicated there was no impact on their entrepreneurial skills or on how to manage their business. The participants viewed becoming B-BBEE compliant as a legislative as a burden but an opportunity for growing the business by procurement (Esser, 2008:157-169)).

- Proposition 2: After B-BBEE intervention, the businesses' financial features indicated an improvement.

Proposition 2 is not accurate; table 8.4 indicated that 95% of the respondents reported there were no changes regarding the financial elements used before B-BBEE and after the B-BBEE intervention. Therefore B-BBEE had no influence in running their businesses as before. The aim of any business is to make profits, making use of save and sound financial decisions.

- Proposition 3: Business owners are not more entrepreneurially focused and oriented for survival of their businesses after the B-BBEE intervention.

The same principles of managing a business are applicable both before and after the B-BBEE intervention; this confirms proposition 3, that there were no changes in this respect.

B-BBEE legislation has been instituted against the background of South Africa's injustice and economic inequality. It is clear from the results that the respondents are negative about B-BBEE and regard the intervention as a failure and a burden. B-BBEE is driven by legislation but it has not succeeded as a successful intervention in the economy. In an open capitalist economy such as South Africa, this issue should however resolve itself through the market mechanism. South Africa is left with a legacy of inequalities, unemployment and poverty. The ANC instituted B-BBEE as a possible quick fix for this problem. Interventions by other countries is not new, South Africa is left with a legacy of inequalities in the economy whilst the ANC put legislation on place to correct the wrongs of the past. B-BBEE is an intervention which affect all the role players in the economy, to adhere to and use managerial expertise in place to face the intervention.

9.4 Limitations of the study

In chapter 1.10 the limitations of the study are mentioned. The results of the population may be restricted because they cannot be generalised to the overall population of SMME's. Another limitation of the study is that only SMME's in Gauteng were selected whilst SMME's are spread all over the country, so that the results are not representative.

Since the initial collection of data by means of a survey was not a success, the IDI data gathered from 20 participants may not represent the view of all entrepreneurs and SMME's in South Africa. The final recommendation therefore is that a more detailed study is necessary to gain a clearer and fuller understanding of B-BBEE intervention by a more representative population.

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APPENDICES

APPENDIX A: IN-DEPTH INTERVIEW QUESTIONS

INTERVIEW QUESTIONS

QUESTION 1

Please state the reasons for starting your own business? Please motivate your answer. (The reason for this question was to determine if there were entrepreneurial intentions present when participants decided to start their own business.)

QUESTION 2

What was the influence of B-BBEE on your management practices in your business? Please give a justification for your response.

QUESTION 3

What strategies play a role in becoming B-BBEE compliant in terms of strategic thinking, taking risks and new opportunities?

QUESTION 4

Which of the following elements, if any, do you consider to be important for before and after B-BBEE? In terms of business growth or expansion: the use of budgets, forecasting the future, business environment, analysing financials, control deviations. Please give justification for your response.

QUESTION 5

What effect does B-BBEE have on your business and the South African economy?

QUESTION 6

You are B-BBEE compliant; what do you think the advantages and disadvantages to being B-BBEE compliant are? See Question 2 in conjunction with Question 6.

QUESTION 7

What would you have done differently in managing or running your business after becoming B-BBEE compliant?

QUESTION 8

Do you think that some of the elements according to the scorecard in the B-BBEE Act should be re-addressed and if so, why?

QUESTION 9

Were there any barriers regarding the intervention that you experienced? Please clarify your answer?

QUESTION 10

How did you overcome some if any of the barriers? Please expand.

QUESTION 11

Do you think there are definite reasons why businesses should comply with B-BBEE as an intervention by government?

QUESTION 12

What recommendations do you have regarding B-BBEE? These can be for any reasons whatsoever.