

SMALL ENTERPRISE GROWTH:

THE CRITICAL ROLE OF THE OWNER – MANAGER

A case study of the construction sector in Gauteng, South Africa

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By

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DEDICATION

To my father Eddie Zororai and my late mother, Romina Gladys, for bringing me up based on the values of honesty and resilience, and the ethic of hard work I dedicate this doctoral research to you to say THANK YOU.

To my wife, Wynne, thanks you for your patience and support. I could not have made it without you.

To my children, LeRoy, Linda, Anesu and Anotida, through the hard work, determination and commitment required for this doctoral research, I dedicate this to you and bequeath the same values to you.

Student Number: 37309668

Statement of Originality and Acknowledgement of Sources

I declare that this thesis titled:

**SMALL ENTERPRISE GROWTH: THE CRITICAL ROLE OF THE OWNER –
MANAGER: *A case study of the construction sector in Gauteng, South Africa***

is my own work and that all sources have been indicated and acknowledged by means of a complete reference list.

Signed:

Date:

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Black Economic Empowerment	BEE
Business Development Services	BDS
Construction Industry Development Board	CIDB
Department of Trade and Industry	DTI
Global Financial and Economic Crisis	GFEC
Gross Domestic Product	GDP
Infrastructure Inputs Sector Strategy	IISS
International Labour Organization	ILO
Joint Initiative on Priority Skills Acquisition	JIPSA
Medium Term Strategic framework	MTSF
Medical University of South Africa	MEDUNSA
Non – Governmental Organizations	NGOs
Occupational Safety and Health	OSH
Personal Assistant	PA
Private Sector Development	PSD
Republic of South Africa	RSA

Small and Medium Enterprises	SMEs
Small, Micro and Medium Enterprises	SMME
Statistics SA	STATSSA
The Industrial Policy Action Plan	IPAP
Tshwane University of Technology	TUT
Quarterly Labour Force Survey	QLFS
Women Entrepreneurship Development	WED

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EXECUTIVE SUMMARY

Small and Medium Enterprises (SMEs) and the role that they play in the economy have been widely studied. SMEs are of particular interest because they are seen as greatly contributing to innovation, economic competitiveness, equity and redistribution, employment creation. Given the positive role that they are seen as playing in the economy, the growth and transformation of small enterprises into medium enterprises is welcomed. It is seen as increasing the benefits of the SMEs to the economy and society in general. The research sought to analyze and draw insights on the growth of enterprises from small to medium size.

This issue has been widely studied but as late as 2007, reviewing the state of knowledge about growth in small businesses, Dobbs and Hamilton (2007, p.296) observed that despite the growing volume of applied research, our knowledge base still lacks a body of theory capable of explaining the growth of small businesses. This research therefore responds to this call by Dobbs and Hamilton (2007) for new theoretical perspectives and alternative types of research. It does so by focusing on the practical role that the entrepreneur plays in facilitating or hindering growth. It also responds to this call by using a methodological approach that has not been widely used in this field to date.

In addition, not sufficient attention has been paid to the role of the entrepreneur as the dynamic element in the growth and transformation process, neither globally but even less so in the Southern African case in general but even less so in the South African construction setting specifically and in Gauteng in particular. The lack of sufficient attention to the role of the entrepreneur in facilitating or hindering the growth and transformation process is very pronounced in the context of the Southern Africa region. This thesis therefore seeks to address this gap. This thesis takes as its departure, the decisiveness of the entrepreneur in the business system. It places the entrepreneur at the centre of the enterprise and analyses the role that the entrepreneur plays in facilitating or hindering the growth of the enterprise from small to medium size. Freel (2000: p.321) observed that more significantly, the internal dynamics of firm growth have remained something of a *'black box'*."

Focusing on growth, this research seeks to identify the key drivers of why some firms grow and others do not. It seeks to unravel the "black box" of small enterprise growth in the context of South Africa. In this process, the research sought to focus on the role of the entrepreneur in facilitating or inhibiting growth.

The main question that this research sought to answer is: Is the entrepreneur the main driver of small enterprise growth and graduation, and what role does he or she play and how does he or she facilitate the growth and graduation of small into medium enterprises in South Africa?

Building on the main and sub research questions the research sought and successfully proved the following Propositions:

- **Proposition One (P 1):** The entrepreneur is the key driver of small enterprise growth and graduation in South Africa.
- **Proposition Two (P 11):** The entrepreneur is the main inhibitor of small enterprise growth and graduation in non – growth small enterprises in South Africa.
- **Proposition Three (P 111):** Macro - economic environmental factors are a key but not the decisive driver for growth and transformation of SMEs.
- **Proposition Four (P 1V):** The growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of SMEs.

This research was undertaken within the framework of qualitative research. It was undertaken in four phases, namely:

Phase One: Sector and SME Selection

Phase Two: Individual Interview

Phase Three: Document Analysis

Phase Four: Case Study Development focusing on the role of the Entrepreneur in the Growth Process

The data analysis was driven by the model of the drivers of SME growth and transformation already outlined above. It sought to apportion qualitative weightings to key already identified drivers of growth and transformation: macro-economic environment, industry sub sector, access to finance, technology, and BDS and the entrepreneur's motivation and skills. The data analysis delved deeper into the last category of drivers, entrepreneur's motivation and skills. It dissected the role that the entrepreneur's skill played in the overall growth and transformation of the enterprise.

The data gathered from the three methods, namely individual interviews, follow up telephonic interviews and the document analysis were analyzed to arrive at the role that the entrepreneur's skills played in the growth and transformation process. Qualitative analysis of the entrepreneur's responses was undertaken to apportion the weighting given to the key drivers of the growth and transformation process. The data analysis also sought to unravel the key constituents of the entrepreneur's skills. It identified what constitutes the entrepreneur's skills that are crucial to the growth and transformation process. Focus was on the technical, managerial or leadership aspects. Findings from the data analysis assist in the conclusions and recommendations.

This study was limited to Gauteng province of South Africa. It is hoped that this province will represent the best construction macro-economic environment in South Africa. This study concentrated on the sectors that were selected from the sector selection process. The study interviewed entrepreneurs and enterprises that are exclusively in the selected sector. The study was limited to medium sized enterprises that grew out of small enterprises that were formal – registered, licensed and operating within the framework of the law. The medium enterprises that this study focused on were not subsidiaries of larger

conglomerates. This study also did not focus on medium enterprises that were created as medium enterprises and did not grow in size.

The study is based on three key assumptions: the growth in employment is a sufficient reflection of the growth process, changes in the structure of the business are a direct result of the growth in employment and what the entrepreneur does directly reflects itself in the growth or lack of growth in the enterprise.

This study has the following limitations: the peculiarities of the selected sector – construction, growth in employment may not capture the entirety of the growth process and the fact that the study was conducted in the period of the Soccer World Cup 2010 affected the perceptions of the owner managers to be more positive than could have been experienced outside of this unique event.

This research has proven through the data gathered, presented and analyzed that the owner manager of the respondent enterprises is the fulcrum upon which all the major decisions in the enterprise revolve. It is the quality of these decisions that drive or hinder the growth process. The owner manager makes the key decisions regarding:

- the role and nature of interaction with the government,
- the structure of the enterprise and the roles and responsibilities of the staff within the enterprise,
- the marketing strategy,
- the quality and skill level of the staff,
- the role information technology, the nature and type of communication within the enterprise and between the enterprise and its external stakeholders,
- the culture of the enterprise,
- the interaction between the business and family and,
- the management of the book of accounts.

It is the cumulative impact of these decisions that the owner manager makes that propel the enterprise to growth. This confirms that the entrepreneur is the main driver of enterprise growth and graduation from small to medium enterprise size through the decisions that he or she makes.

This research has also identified that it is not only the decisions that the owner manager makes that matter. It is also the management style that the owner manager adopts that facilitates or hinders growth. The owner manager needs to adopt a participatory management style which empowers the staff, to facilitate enterprise growth and transformation.

Based on the data gathered this research has dealt with the issue of the impact of the macroeconomic environment on the growth of the owner managed construction enterprises. Focusing on growth, this research has identified the key drivers of why some owner managed construction enterprises firms grow and others do not. The research has identified the macroeconomic environment as a key driver of the performance of the whole economy.

A key element of the construction industry which positively benefitted the enterprises in the period 2002 – 2010 is the construction boom experienced because of the Soccer World Cup 2010. The construction bonanza was based on the ten new stadia to be build or renovated and the accompanying road infrastructure. This played a key factor in the positive growth experience by most of the firms in the industry.

The South African economy performed well in the period 1994 – 2008. The good performance of the economy in the period 1994 – 2008, had a positive spillover effect on the construction sector and the enterprises in that sector. This proves that the macroeconomic environment is a key driver of growth and competitiveness.

However, starting in 2008, the GEFC set in. The impact of the GEFC on the economy was very severe. The GDP declined dramatically and the inflation rose. This impacted the whole economy. Added to this was the impact of the newly introduced National Credit Act. The National Credit Act made access to credit especially for housing loans more difficult.

Despite the combined negative consequences of the GEFC and the National Credit Act, the majority of the respondent enterprises continued to experience growth. One respondent enterprise suffered a dramatic decline in sales and growth in this period. This was more because of the ‘wrong’ marketing strategy it chose to respond to the overall down turn in the economy. Significantly, when the owner manager adjusted the marketing strategy, sales and growth have begun to pick up again. This proves that a positive macroeconomic environment is crucial as a driver of growth but is not a decisive factor because even when the macroeconomic environment turns negative, growth firms are able to maintain their growth path. So, in conclusion, the macroeconomic environment is a necessary but not sufficient condition for enterprise growth.

The above conclusion on the macroeconomic environment is also true of the sector competitiveness and growth’s impact on the growth of enterprises in that industrial sub sector. As the economy has grown, so has the construction industry. Within the period 2000 - 2008, the construction industry has also been performing well on the back of the good macro economic performance. As a result the RMB / BER and the FNB / BER Business Confidence Indexes have been on a gradual upward trend.

The Respondent Enterprises in this research clearly benefited from this gradual upward trend in the economy in general and the construction industry in particular. The Respondent Enterprises experienced sustained growth in this period as well. This confirms that growth enterprises benefit from a growing and competitive industrial sub sector. However, the industrial sub sector took a negative turn on the back of the GEFC, the National Credit Act and the end of the 2010 Soccer World Cup construction boom in the period 2008 – 2010. Despite this, the majority of the respondent enterprises continued to enjoy significant growth. This leads to the conclusion that the growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of SMEs.

This research has therefore unraveled the “black box” of owner managed small construction enterprise growth in the of South Africa context by analyzing the role of the macroeconomic environment, the growth and competitiveness of the industrial sub sector and the owner manager. In this process the research has focused on the role of the entrepreneur in facilitating or inhibiting growth and highlighted the entrepreneur’s centrality to the growth process.

Through the use of the case study method this research has been able to address the how and why of construction enterprises growth in Gauteng. This study has added value to the existing body of literature on enterprise growth by delving deeper into many already known factors driving enterprise growth. This research in most of the identified areas has been to analyze deeply and give greater insight into the dynamics of how growth actually happens within the enterprise through the role of the owner manager. Through this process this research has helped in opening Freel (2000)’s ‘black box’ of enterprise growth with particular reference to the construction sector in Gauteng, South Africa.

This study contributes to the growing body of literature on the growth and transformation of SMEs globally. But specifically it makes a contribution to the understanding of the growth and transformation of the construction SMEs in Gauteng province of South Africa where there is a dearth of such studies. In a country and province where the issues of increasing black participation in the economy is topical, this study will increase society’s understanding of how construction SME growth and transformation can contribute to the realization of this goal. This study assists in creating awareness within society of how entrepreneurship development can play a major role in achieving the goal of equitable distribution of the region’s wealth. It contributes to a realization of a society that is supportive of enterprise development and an enterprise culture.

The study contributes to the debate of what policy measures can assist in the development of a construction entrepreneurial class. The BEE policies attempt to create an environment which facilitates the growth and graduation of SMEs. This study will assist in informing how these policies can best be shaped. This study contributes to a greater understanding of this phenomenon in the context of the construction sector in South Africa. By focusing on the qualitative approach this study seeks to bring a different angle to the largely quantitative approach which has dominated the study of SME growth thus far.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

Small and Medium Enterprises (SMEs) and the role that they play in the economy have been widely studied (Churchill and Lewis, 1983; Scott and Bruce, 1987; Smallbone *et al.* 1995; Mead and Mukwenha, 1993; Moyo, 1991; Grierson *et al.* 1993). SMEs are of particular interest because they are seen as greatly contributing to innovation, economic competitiveness, equity and redistribution, employment creation (Freel, 2000; O’Gorman, 2001; Freel and Robson, 2005; Rodrigues, 2003; Wiklund *et al.* 2003; Packham *et al.* 2005; Mengistae, 2006). Given the positive role that they are seen as playing in the economy, the growth and transformation of small enterprises into medium enterprises is welcomed. It is seen as increasing the benefits of the SMEs to the economy and society in general. The research sought to analyze and draw insights on the growth of enterprises from small to medium size. This issue has been widely studied (Freel, 2000; O’Gorman, 2001; Churchill and Lewis, 1983; Scott and Bruce, 1987; Smallbone *et al.* 1995; Wiklund *et al.* 2003; Chan *et al.* 2006; Chamberlain and Smith, 2006, Oke *et al.* 2007; Dobbs and Hamilton, 2007; Okpara and Wynn, 2007; Reddy, 2007). As late as 2007, reviewing the state of knowledge about growth in small businesses, Dobbs and Hamilton (2007, p.296) observed that:

“...despite the growing volume of applied research, our knowledge base still lacks a body of theory capable of explaining the growth of small businesses. New theoretical perspectives and alternative types of research are advocated in order to further our understanding of the growth process in these businesses”

This research therefore responded to this call by Dobbs and Hamilton (2007) for “*new theoretical perspectives and alternative types of research*”. It did so by focusing on the practical role that the entrepreneur plays in facilitating or hindering growth. It also responded to this call by using a methodological approach that has not been widely used in this field to date.

In addition, not sufficient attention has been paid to the role of the entrepreneur as the dynamic element in the growth and transformation process, neither globally but even less so in the Southern African case in general but even less so in the South African construction setting specifically and in Gauteng in particular. The lack of sufficient attention to the role of the entrepreneur in facilitating or hindering the growth and transformation process is very pronounced in the context of the Southern Africa region. There is a paucity of research on the enterprise growth process in Southern Africa (Mead and Mukwenha, 1993; Moyo, 1991; Grierson *et al.* 1993).

In the existing literature generally in Africa but much more so in Southern Africa specifically, limited focus, if any, has been placed on the growth and transformation of SMEs and even lesser still on the entrepreneur as the facilitator or inhibitor of SME growth and transformation. The research sought to address this gap. It took as its departure the decisiveness of the entrepreneur in the business system. It placed the entrepreneur at the centre of the enterprise and analyzed the role that the entrepreneur plays in facilitating or hindering the growth of the construction enterprise from small to medium size in Gauteng, South Africa.

The thesis contributes to addressing the challenge that Mark Freel called the “black box” (Freel, 2000, p.321). It seeks to unlock this “black box” by focusing on the role of the entrepreneur in facilitating or inhibiting small firm growth. This is the primary value addition of this study to the body of literature on growth of small construction enterprises. The other value addition of this research is its specific reference to the growth from small to medium construction enterprises in Gauteng, South Africa. The thesis contributes to a greater understanding of “why some firms grow and others do not” (Freel, 2000, p.32). It falls within the genre of studies, which seek to decipher the decisive factors that best explain the causes of growth. The other value addition of this research is in the recommendations gives to practitioners giving support to SMEs to facilitate growth. It addresses some of the pertinent issues that practitioners who are in the business of supporting small firm growth have to pay attention to, to enhance the efficiency and effectiveness of their work.

The thesis lies within the genre of the “resource based” theories of enterprise performance. The resource based theories of enterprise performance postulate that enterprises perform because of the unique mix of human, material and financial resource that the enterprise possesses (Rumelt *et. al.* 1991; Jay Barney, 2001). In analyzing the role that the entrepreneur plays in facilitating the growth of the small to medium sized enterprise, this research falls within the resource – based theoretical frame-work. It takes as its departure, the view that the spirit of entrepreneurship that the owner manager is imbued with is a key resource that the small enterprise has. The owner manager uses that spirit, to lead the small firm towards growth and transformation into a medium sized enterprise. When that happens, the enterprise is using its resources to achieve sustained competitive advantage.

This thesis builds on the link between resource – based theory and the theory of entrepreneurship. It adds knowledge on the role that entrepreneurs play in facilitating or hindering construction SMEs’ growth and transformation in Gauteng, South Africa.

1.2 Problem Statement and Rationale

This thesis addresses the issue of the growth of construction enterprises from small to medium size. The issue of enterprise growth in general has been widely studied globally (Mead, 1992; Morrison *et al.* 2003, Packham *et al.* 2005, Wiklund *et al.* 2003; Freel, 2000; Rodrigues, 2003; Harris *et al.*, 2005; Kozan, 2006; Gray, 2006; Oliveira and Fortunato, 2006, Saemundsson and Dahlstrand, 2005; Carpenter and Rondi, 2006; Chih-

Chiang Lu, 2006). While some attention has been paid to the role of the entrepreneur as the dynamic element in the growth and transformation process but this has not been enough. This thesis therefore seeks to address this gap. This thesis takes as its departure, the decisiveness of the entrepreneur in the business system. It places the entrepreneur at the centre of the enterprise and analyses the role that the entrepreneur plays in facilitating or hindering the growth of the enterprise from small to medium size.

Freel (2000: p.321) observed that:

“More significantly, the internal dynamics of firm growth have remained something of a ‘black box’.”

This thesis seeks to contribute to addressing the challenge that Freel (2000) called the “black box”. It seeks to unlock this “black box” by focusing on the role of the entrepreneur in facilitating small firm growth.

In emphasizing the importance of the issue of growth and the focus on growth Morrison *et al.* (2003: p.418) in reference to their own study, stated that the key focus of the study was to obtain a more comprehensive understanding of the factors and characteristics that contribute to pro growth business orientation. This thesis falls within this genre of studies. However, its uniqueness lies in the fact that it brings a particular emphasis and focus on the decisive role of the entrepreneur in promoting or inhibiting growth.

Studies have been conducted (Morrison *et al.* 2003, Wiklund *et al.* 2003; Freel, 2000; Rodrigues, 2003) on the key drivers of the growth and transformation of small into medium enterprises but the state of knowledge is not yet mature. In acknowledging that the current knowledge on small firm growth is still not yet complete, Wiklund *et al.* (2003, p.254) observed that, the knowledge about small firm growth is still quite incomplete and incoherent

There are numerous drivers of the growth and transformation process from small into medium enterprises, namely size and growth of the market, the growth and performance of the industrial sub sector, the enabling policy and regulatory environment, and access to finance, Business Development Services (BDS) and technology.

This thesis addresses the contribution of each to the growth and transformation process. But it will highlight that each of these on its own is not the most critical and decisive factor which can distinguish between those small enterprises that will successfully grow into medium sized enterprises and those that will not.

This thesis highlights that, a small enterprise can be in a high growth market, with a very supportive policy and regulatory framework and have easy access to finance, BDS and technology and may still not grow. This illustrates that there is still something missing which explains why some small enterprises grow and others do not.

Acknowledging this gap Rodrigues *et al.* (2003: p.289) observed that:

“From the view of the different models put forward from different areas of economic sciences, none of the approaches can be interpreted with total satisfaction, since the reason why some firms grow and others do not, remains to be determined.”

This thesis seeks to contribute to finding the answer to “why some firms grow and others do not” Rodrigues *et al.* (2003: p.289). The proposition of this thesis is that it is the decisiveness of entrepreneurial spirit and managerial capability which resides in the entrepreneur that provides the answer to the question “why some firms grow and others do not” Rodrigues *et al.* (2003: p.289).

This thesis focuses on what it is that the owner manager, who is imbued with the entrepreneurial spirit, does which enables that particular small enterprise to grow and transform into a medium enterprise. What do the enterprising owner managers do that the others do not do? Addressing this question is the distinct contribution of this thesis to the body of literature on the growth and transformation of small enterprises into medium enterprises. This is the value added of this study. This is the primary rationale of this thesis.

The additional value added of this study is in the practical insights that the thesis provides to practitioners giving support to SMEs to facilitate growth. This thesis addresses the question of how entrepreneurs practically facilitate or hinder growth, which the practitioners who are in the business of supporting small firm growth have to pay attention to in order to enhance the efficiency and effectiveness of their work.

Having reviewed the various reasons why growth is pursued, the thesis then addresses the factors which drive growth. There is an analysis of the key drivers of small enterprise growth. The key drivers of growth which the thesis identifies and reviews are: an enabling macro-economic environment, market size growth, access to finance, BDS technology, and the dynamism of the entrepreneur.

The thesis then analyses the means through which the entrepreneur facilitates growth. The thesis identifies the following as the keys means through which the entrepreneur facilitates growth: sensing, deciding and implementing the growth strategy, seeking and acquiring new markets, radical restructuring of the enterprise functioning and structure, incremental improvements of enterprise, developing new products through technology and transforming funding from internal to external funding

The thesis then addresses the means through which entrepreneurs inhibit growth. The entrepreneur can make decisions and undertake activities that have the effect of making it impossible for the small enterprise to grow into medium enterprises. The entrepreneur can inhibit growth through: over centralization and resistance to change, mixing business

and family, unwillingness to utilize new technologies, failure to recruit and retain competent professional people, unwillingness to utilize new technologies, no growth ambition.

1.3 Research Questions

Focusing on growth, this research seeks to identify the key drivers of why some firms grow and others do not. It seeks to unravel the “black box” of small enterprise growth in the context of South Africa. In this process the research seeks to focus on the role of the entrepreneur in facilitating or inhibiting growth. To achieve this end the research will seek answers to the following research questions?

1.3.1 Main Research Question

The main question that this research seeks to answer is: Is the entrepreneur the main driver of small enterprise growth and graduation, and what role does he or she play and how does he or she facilitate the growth and graduation of small into medium enterprises in South Africa?

1.3.2 Sub Research Questions

Based on the main research question above the research seeks to prove or disprove the following sub research questions:

- i. What are the key drivers of growth and transformation of small enterprises into medium enterprises in the context of South Africa?
- ii. What do the owner managers of small enterprises which grow and transform into medium sized enterprises do which those that do not grow and transform do not do in South Africa?
- iii. To what extent does the macro-economic environment determine the growth and transformation of the SMEs, in South Africa?
- iv. To what extent do access to finance, technology, local and international markets, and Business Development Services (BDS) facilitate the growth and transformation of SMEs in South Africa?
- v. In South Africa, do entrepreneurs drive the growth and transformation of SMEs more than the macro - economic environment, the industrial sub sector growth and competitiveness or the technological advancements in the industry?

1.4 Research Propositions

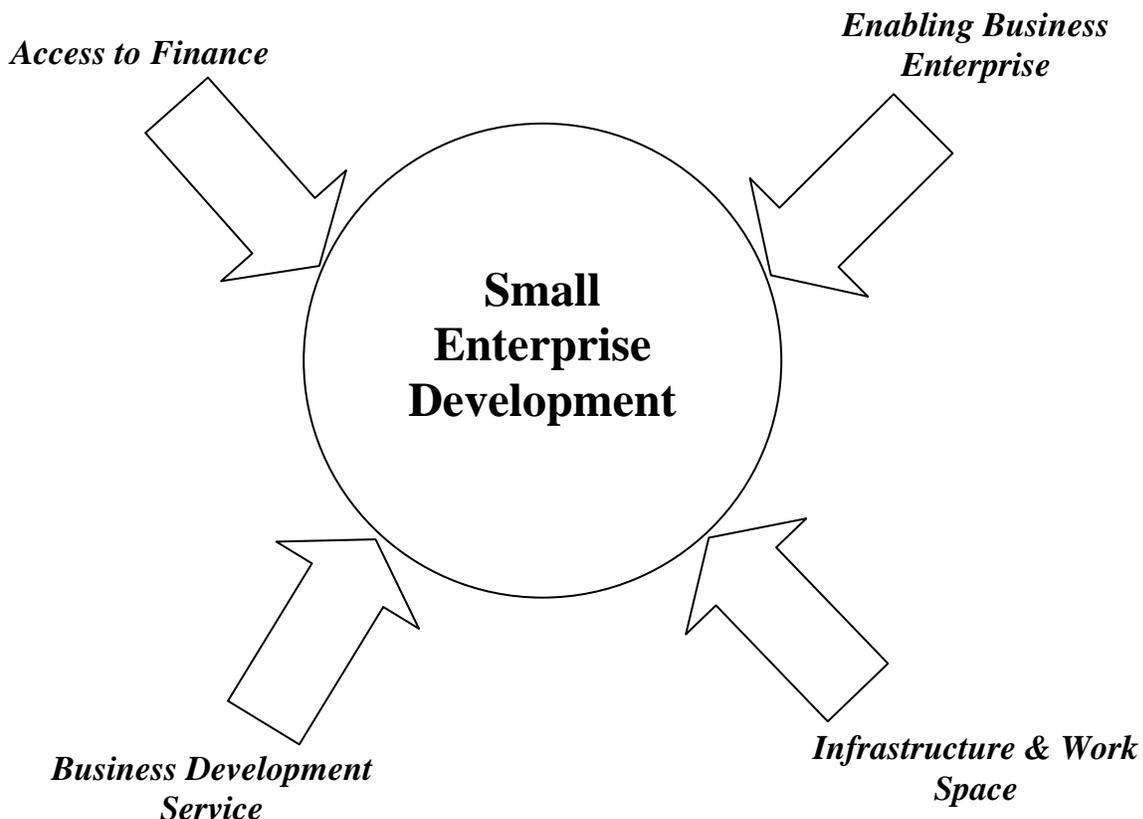
Building on the main and sub research questions above, the research sought to answer following Propositions:

- **Proposition One (P 1):** The entrepreneur is the key driver of small enterprise growth and graduation in South Africa.
- **Proposition Two (P 11):** The entrepreneur is the main inhibitor of small enterprise growth and graduation in non – growth small enterprises in South Africa.
- **Proposition Three (P 111):** Macro - economic environmental factors are a key but not the decisive driver for growth and transformation of SMEs.
- **Proposition Four (P 1V):** The growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of SMEs.

1.5 Research Framework

Small Enterprise Development is an umbrella term for a diverse range of support services offered to small enterprises to assist them to survive and to grow. The type of services given to the SMEs to survive or to grow can be grouped into five broad groups, namely:

Figure 1.1 Research Framework



This model of SME development was the basic framework in which this research was undertaken. The key aspects of each of the key pillars of SME development will be briefly looked at below, Bannock and Daroll (2007) Altenburg and Drachenfels (2007).

1.5.1 Access to Finance

Access to finance refers to the ability of the enterprise to receive additional external financial resources from formal and informal financial intermediaries. These sources of finance could be family members, informal money lenders, micro finance Institutions or the regular banks. The finance could be to purchase raw materials, pay workers and other working capital needs, or it could be for infrastructure and other fixed capital investments.

1.5.2 Business Development Services

BDS are those none financial services that an enterprise needs to survive and grow. These are normally: business and market information, management and technical training, internet and telephone access and skills training. BDS are normally provided by either governmental or private sources, like governmental SME agencies, quasi-governmental SME agencies, NGOs, SME membership associations, Business associations, private consulting firms. Best practice in the provision of BDS now requires that it be provided on a fee basis. It is still debated whether the fees should and can be above cost for all segments of the small enterprise sector. The need for and the extent of state subsidies especially for the rural based communities is also a matter under debate and discussion.

1.5.3 Enabling Macro-economic environment

The primary role of the state is seen as creating an enabling macro-economic environment for SME development. The macro-economic environment refers to all the rules and regulations that define the policy framework which formal small, medium and large enterprises have to comply with. The rules and regulations that affect business are put in place by the national, provincial and local government authorities. These rules and regulations refer to the start-up registration and business operation and license requirements that the authorities require enterprise operators to observe. Examples of such rules and regulations are: business start-up registration, food and health licenses, zoning licenses, tax and other tariffs, labour laws, export and import licenses.

It is generally accepted that best practice in business promotion requires that the macro-economic environment be made enabling rather than inhibiting for business. The ease of doing business is a measure of the extent to which the macro-economic environment is facilitative rather than inhibitive. The measures of doing business have been popularized by the annual publication: Doing Business produced by the International Finance Corporation. (IFC, Doing Business (2008) Altenburg and von Drachenfels (2007).

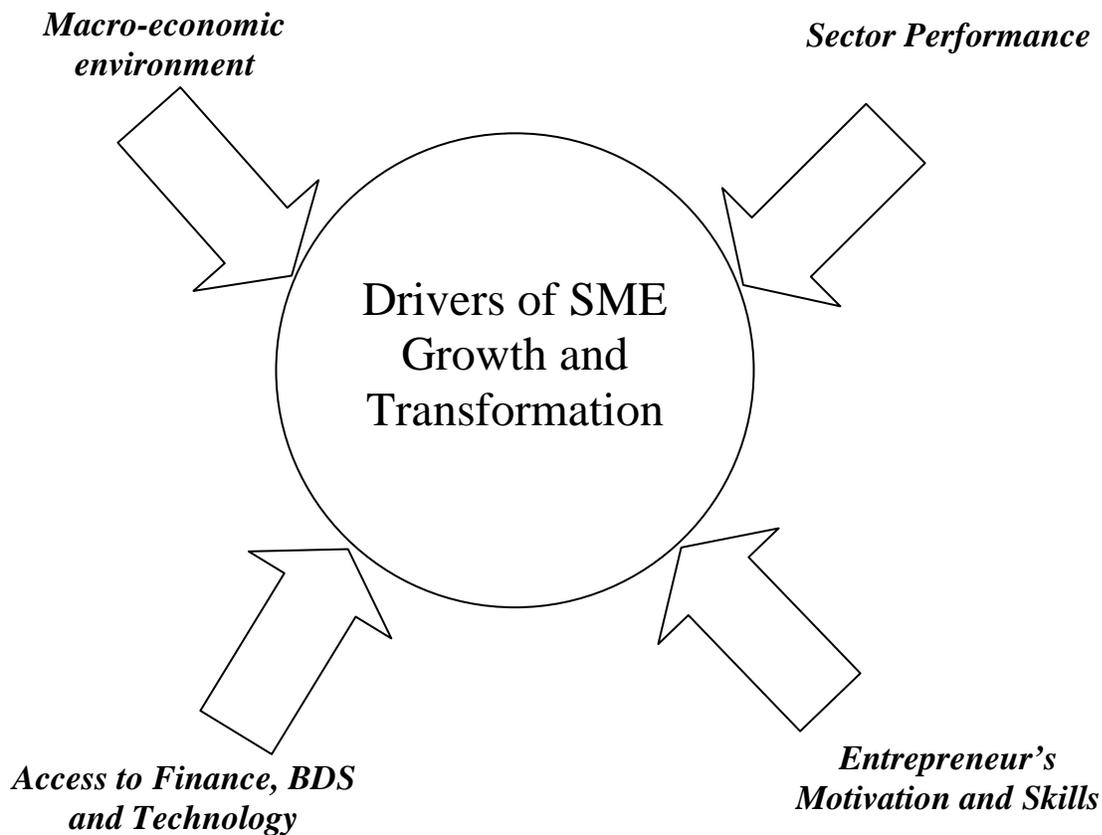
1.5.4 Infrastructure Development,

The performance of small medium and large enterprises is governed by the quality of the infrastructure that they rely on. Infrastructure refers to the water, electricity, sewage, waste collection and disposal, roads, railway line, ports, telephone and internet services. Cumulatively these determine how businesses perform. They are the main cost drivers for businesses. They therefore affect the possibility for growth and transformation of small into medium enterprises.

1.6 Drivers of Growth of SMES

Based on the literature review and previous research, the following have been identified as the main drivers of growth and transformation: Macro-economic environment; Access to Finance and BDS; Sector Performance; and Entrepreneur’s Motivation and Skills (Human Capital).

Figure 1.2 Drivers of Growth



1.6.1 Macro-economic environment

The macro-economic environment presents the general background on which all enterprises perform. But the macro-economic environment becomes a driver of growth and transformation of small into medium enterprises when there is a dramatic change in the rules and regulations. When key aspects of the macro-economic environment are reformed, the resultant ease of doing business can be a spur for small enterprises to grow and graduate into medium enterprises Bannock and Daroll (2007) Altenburg and Drachenfels (2007).

1.6.2 Access to Finance, Technology and BDS

A dramatic ease in access to finance and/or BDS can be a driver of growth and transformation of small into medium enterprises. Access to finance and BDS is generally seen as a constraint for enterprise development. The cost of finance and the conditionality tied to the loans are seen as the main hindrances to greater access to finance. But where these constraints are removed the increased access to finance can be a spur to growth and transformation of small into medium enterprises.

It is also true that access to BDS is very restricted by limited scale, limited outreach, cost in some cases, and often absence of appropriate BDS products. But in cases where these constraints are addressed access to BDS can be facilitated. And in these cases such increased access to BDS can be a major driver of small enterprises growth and transformation into medium enterprises.

1.6.3 Sector Performance

The performance of the sector is often a driver of growth and transformation of small enterprises into medium enterprises. When a particular industrial sub sector is experiencing rapid growth, it tends to drive the growth and transformation of the small enterprises in that industrial sub sector into medium enterprises. The growth of the industrial sub sector tends to pull most of the small enterprises into a cycle of growth and transformation. In reverse, the decline of an industrial sub sector also has the effect of pulling SMEs into a cycle of decline and enterprise mortality.

1.6.4 Entrepreneur's Motivation and Skills (Human Capital)

The entrepreneur's motivation to seek and achieve the growth and transformation of his small enterprise into a medium enterprise is a key driver of the actual growth and transformation process. Growth and transformation of an enterprise cannot occur without the drive will and resolve of the entrepreneur to realize it. Thus the desire of an entrepreneur to achieve growth and transformation is key prerequisite.

However, to realize the growth and transformation of a small enterprise into a medium enterprise in reality requires that the entrepreneur has the skills to achieve the growth and transformation. The ability of the entrepreneur to manage the growth and transformation of the small enterprise into a medium enterprise is an essential requirement.

1.7 Research Design and Methodology

This research was undertaken within the framework of qualitative research. It was undertaken in four phases, namely:

1.7.1 Phase One: Sector and SME Selection

In this phase there was an analysis of the sectors to identify those that contribute significantly to the economy. Economic competitiveness is sectorally based. It is therefore necessary to analyze the growth and transformation of medium enterprises within the same industrial sub sector to facilitate comparability.

In this phase **Step One** was to look at the Manufacturing, Retailing, and Services dichotomy.

Step Two was a further division into the specific line of business the medium enterprises were operating in namely: construction, carpentry, engineering, and bakery, etc.

Step Three was then to select the actual medium enterprises in the sector to participate in the study. The selection of the participants was undertaken through the industrial association membership database. The selection was randomly undertaken from the membership list. This was done to avoid bias and to facilitate universal applicability of the findings and conclusions across the industrial sub sector. The selection focused on medium enterprises that grew from being small enterprises. The selection eliminated medium enterprises that were started as medium enterprises or are subsidiaries of larger holding companies.

1.7.2 Phase Two: Individual Interview

The entrepreneurs who are the medium enterprise owners and proprietors undertook individual interviews. They participated in a semi structured interview which addressed the following issues:

- i. Motivations for starting the business,
- ii. Circumstances under which the business was started,
- iii. Challenges faced in the start-up phase,
- iv. What entrepreneur did to meet the start phase challenges?

- v. Identification and ranking of key drivers of growth of the enterprise,
- vi. Role the entrepreneur played in the growth and transformation of the SME,

1.7.3 Phase Three: Document Analysis

Document Analysis sought to understand better some of the issues that had been raised in the individual discussions. They sought to identify issues causing growth and transformation which are common to the sector and those that are enterprise and entrepreneur specific.

1.7.4 Phase Four: Case Study Development focusing on the role of the Entrepreneur in the Growth Process

Detailed case studies were then undertaken of five individual entrepreneurs. The case study entrepreneurs were selected from the individual interviews. The selection of these case study candidates was based on the performance, uniqueness, and availability of these entrepreneurs. The case studies sought to delve deeper into the stories of each of the selected entrepreneurs. They sought to understand better how the Macro-economic environment, Industry Sub Sector, Entrepreneur Motivation and Skills and the Access to Finance, Technology, and BDS impacted on the growth and transformation of the medium enterprise.

1.8 Data Analysis

The data analysis was driven by the model of the drivers of SME growth and transformation already outlined above. It sought to apportion qualitative weightings to key already identified drivers of growth and transformation: macro-economic environment, industry sub sector, access to finance, technology, and BDS and the entrepreneur's motivation and skills. The data analysis delved deeper into the last category of drivers, entrepreneur's motivation and skills. It dissected the role that the entrepreneur's skill played in the overall growth and transformation of the enterprise.

The data gathered from the three methods, namely individual interviews, follow up telephonic interviews and the document analysis were analyzed to arrive at the role that the entrepreneur's skills played in the growth and transformation process. Qualitative analysis of the entrepreneur's responses was undertaken to apportion the weighting given to the key drivers of the growth and transformation process. The data analysis also sought to unravel the key constituents of the entrepreneur's skills. It identified what constitutes the entrepreneur's skills that are crucial to the growth and transformation process. Focus was on the technical, managerial or leadership aspects. Findings from the data analysis assist in the conclusions and recommendations.

1.9 Delimitation

The major delimitations of the study are:

1.9.1 Research Coverage

This study was limited to Gauteng province of South Africa. It is hoped that this province will represent the best construction macro-economic environment in South Africa. South Africa with an inflation rate of about 7%, an economy of USD 150 billion GPD and buoyed by the 2010 World Cup offers one of the best operating environments. It is by far the biggest provincial economy in the country and therefore it offers entrepreneurs massive construction opportunities.

1.9.2 Sector Covered

This study concentrated on the sectors that were selected from the sector selection process. The study interviewed entrepreneurs and enterprises that are exclusively in the selected sector.

1.9.3 Medium Enterprises

The study was limited to medium sized enterprises that grew out of small enterprises that were formal – registered, licensed and operating within the framework of the law. The medium enterprises that this study focused on were not subsidiaries of larger conglomerates. This study also did not focus on medium enterprises that were created as medium enterprises and did not grow in size.

The medium enterprise under the study were enterprises that grew significantly in terms of employment and also had a significant growth that reflected itself in the restructuring of the internal functioning of the business

1.10 Assumptions

The study is based on three key assumptions:

- a) The growth in employment is a sufficient reflection of the growth process.
- b) Changes in the structure of the business are a direct result of the growth in employment.
- c) What the entrepreneur does directly reflects itself in the growth or lack of growth in the enterprise.

1.11 Limitations of the Study

This study has the following limitations:

- a) Given the peculiarities of the selected sector – construction, the study may not lead to generalizations about the impact of entrepreneurs in other sectors on the growth or lack of it in their enterprises.
- b) Growth in employment may not capture the entirety of the growth process. Growth in sales, profitability or assets may not necessarily reflect itself in employment growth.
- c) The fact that the study was conducted in the period of the Soccer World Cup 2010 which was characterized by a boom in the construction sector in general may have affected the perceptions of the owner managers to be more positive than could have been experienced outside of this unique event.

1.12 Relevance of Study

1.12.1 Societal Relevance

This study contributes to the growing body of literature on the growth and transformation of SMEs globally. But specifically it makes a contribution to the understanding of the growth and transformation of the construction SMEs in Gauteng province of South Africa where there is a dearth of such studies. In a country and province where the issues of increasing black participation in the economy is topical, this study will increase society's understanding of how construction SME growth and transformation can contribute to the realization of this goal. This study assists in creating awareness within society of how entrepreneurship development can play a major role in achieving the goal of equitable distribution of the region's wealth. It contributes to a realization of a society that is supportive of enterprise development and an enterprise culture.

1.12.2 Policy Relevance

The study contributes to the debate of what policy measures can assist in the development of a construction entrepreneurial class. The BEE policies attempt to create an environment which facilitates the growth and graduation of SMEs. This study will assist in informing how these policies can best be shaped.

1.12.3 Scientific Relevance

In the scientific community the study of growth of firms which started with Gibrat's Law of Proportionate Effect (1932) and Penrose's publication "The Theory of the Growth of the Firm" (1959) continues. As observed by Dobbs and Hamilton (2007), Wiklund *et. al.* (2003), Freel, (2000) among many others, the growth of the firm is still not a fully understood area.

This study contributes to a greater understanding of this phenomenon in the context of the construction sector in South Africa. By focusing on the qualitative approach this study seeks to bring a different angle to the largely quantitative approach which has dominated the study of SME growth thus far.

1.13 Background on Small Enterprise Growth

Small and Medium Enterprises (SMEs) are now accepted world-wide as a key component of a sound economy. Their contribution to economic growth, empowerment of women, youth and previously disadvantaged communities (Black Economic Empowerment or Indigenization in the context of Southern Africa) employment creation, provision of goods and services, equity and redistribution are well documented and acknowledged (Moyo, 1991; Mead and Mukwenha, 1993; Grierson *et al.* 1993, 1993; Freel, 2000; Chamberlain and Smith, 2006; Harris *et al.* 2005; Kazan *et al.* 2006; Mead, 1992; Gray, 2006).

1.13.1 Economic Growth and Competitiveness

SMEs are considered a crucial and integral part of a growing, vibrant and competitive economy. They are a sign of a healthy and well-functioning economy. SMEs that are well integrated into the private and public sectors through forward and backward linkages are seen as a requirement for the growth and competitiveness of an economy Morrison *et al.* (2003), Arinaitwe (2006). This is in contrast to an economy which is characterized by a vast informal economy dominated by non-formal, unregistered, and unlicensed micro enterprises that survive on the edges of the formal economy ILO (2002). Such informal economy operators are more often than not, not well integrated into the formal economy and the large businesses. They often compete rather than compliment the large formal sector enterprises and do not have clearly structured linkages with them. Such an informal economy is a sign of an unhealthy economy ILO (2002). This research is focusing on the formal SMEs and not on the informal economy operators. It acknowledges that there is a continuum from the micro enterprises in the informal economy, to the informal small enterprises in the informal economy, to the small, medium and large enterprises in the formal economy. They are blurred lines rather than distinct boundaries distinguishing them. But despite that there are clear differences between these groups of enterprises ILO (2002). Formal Small and Medium Enterprises are accepted as vehicles for economic growth and competitiveness Chih – Chiang Lu (2006). In support of this, Morrison *et al.* (2003: p.417) observed:

“The small business sector represents a statistically significant proportion of the world economy. For example, small businesses represent 99.7 percent of all employers in the United States ... and 96 percent of all businesses in the nonagricultural industries in Australia ... and in the European Union, only one percent of businesses have more than 50 employees.”

1.13.2 Empowerment, Equity and Redistribution

SMEs are a key vehicle for the empowerment, equity and redistribution (Chamberlain and Smith, 2006). SMEs are seen as a key vehicle for the empowerment of previously disadvantaged groups. This is most evident in South Africa where the development of the SME sector is seen as a key vehicle for Black Economic Empowerment (BEE). Department of Trade and Industry, RSA, (1995).

Within the BEE strategy, SMEs are seen as an important means for bringing blacks into the economic mainstream. During the apartheid era, blacks were discriminated and marginalized from the economic mainstream, except as providers of cheap labour in the mining, farming, manufacturing and the retail sectors. They were barred through the Group Areas Act from effective participation in the national entrepreneurial sector. They could only own and operate enterprises in the impoverished townships Department of Trade and Industry, RSA, (1995).

SME development, within the framework of the BEE strategy, is a mechanism for empowering the blacks to integrate them into the national entrepreneurial sector Department of Trade and Industry, RSA, (1995). This is a major strategy for righting the wrongs of the past and ensuring that there is equity and redistribution in the post-apartheid South Africa.

SMEs are also seen as a major means for the empowerment of women, equity and redistribution of wealth. Women Entrepreneurship Development (WED) is seen as a vehicle for bringing women into the economic mainstream. WED provides women with the financial, BDS, infrastructural and regulatory reform support to enter the SME sector. In a similar manner, SME development is also seen as a means for empowering the youth who normally find it difficult to enter the economic mainstream. Thus SMEs are often used as tools for achieving national empowerment, equity and redistribution objectives.

1.13.3 Employment Creation

Governments, worldwide, pay special attention to SME development as part of their employment strategy. They view SMEs as best able to create jobs for the vast majority of those in the labour market. They are seen as a vital part of the solution to the unemployment challenge Gregory *et al.* (2005) Morrison *et al.* (2003). This viewpoint is borne out by the empirical evidence of how many of the people in the labour market are employed by SMEs. In support of this, Morrison *et al.* (2003: p. 417) observed,

“The policy interest in the small business sector arises out of its capacity to generate and to increase employment at local levels.”

In Africa, almost all governments Kenya (2005) Tanzania (2003) Ethiopia (2008) South Africa (1996) and Zimbabwe (2003) have specific policies for the promotion of SMEs based on their capacity to ameliorate the unemployment situation in their countries.

1.13.4 Provision of Goods and Services

SMEs also provide goods and services particularly for the disadvantaged segments of the community. They provide goods and services that the community needs but may not be able to afford from the formal economy suppliers. The goods and services are often of low quality but are also within the reach of the community and suited to their needs and within their budgets. Without SMEs, these communities could go without some of these goods and services.

1.14 Why Focus on Growth

Before addressing the question of the role that the entrepreneur plays in facilitating growth of the small enterprise into a medium enterprise, it is pertinent to ask the question: Why does growth matter? This section will answer this question briefly to highlight the importance of the growth to a national economy and why it is a worthwhile endeavor to analyze the dynamics of growth and the critical role that the entrepreneur plays.

1.14.1 Employment Creation Capacity Increased

Almost all economies are faced with the challenge of employment creation for its productive labour force. This is seen as a social good. The growth of enterprises is seen as the surest way to achieve employment. Small enterprise growth is seen as the best vehicle for creating employment. In support of this viewpoint the ILO (1997: p.5) observed that the last decade has seen an increasing recognition of the important role of small and medium – sized enterprises in the creation of jobs.

The process of enterprise growth is normally associated with the addition of work force, thereby leading to employment creation. The addition of the work force is normally to increase the productive capacity of the enterprise. The increased productive capacity is to enable the enterprise to meet increased market demand.

Recognizing the importance of growth in generating employment, Rodrigues (2003: p.289), in justifying his study into small enterprise growth, observed,

“the usefulness of this study is justified by the importance of growth in generating and maintaining employment ... This is based on the proposition that increments in size are transformed into greater competitiveness, thereby increasing the firm’s chances of survival and stable employment.”

In support of this view, Dobbs and Hamilton (2007: p. 297) observed that, the most cited public benefit of small business growth however is the contribution made by these firms to employment. A large number of studies carried out in various countries have concluded that small business plays a major role in job creation and most commentators agree on the importance of small businesses for employment creation.

1.14.2 Growth as an Ideal

The growth of businesses is seen as a good ideal in its own right. In support of this view point, Rodrigues *et. al.* (2003: p. 289), observed that the evolution of strategic thought in the last century usually presents growth as a fundamental objective for the firm, which contributes to its survival and competitiveness and which permits the achievement of a coalition of individual interests of the agents directly or indirectly related to the organization. The growth of small businesses is generally seen as even more ideal. Rodrigues *et. al.* (2003: p. 289) again observed that growth is not just the objective of the leaders of larger firms, but also of those in small and medium – sized firms, who, in most cases are also the owners. Thus the growth of businesses in general and small businesses in particular is considered an ideal in its own right.

1.14.3 Owner Managers' Desire for Growth

Owner managers of small enterprises want to grow their businesses for economic and non-economic reasons. The predominant economic reasons why owner managers of small enterprises want to grow their businesses is – increased profitability and more wealth generation. Basically they want to be rich. But beyond this they often also have non – economic reasons for seeking growth – more power which comes with being owner manager of a larger enterprise than the one they started with, greater capacity of the enterprise to withstand external shocks and also to be able to take care of their workers better. The weight given to economic versus non economic reasons differs. In concurrence with this, Wiklund *et. al.* (2003: p. 261) observed,

“The results (of their study on small business managers’ motivation to expand their firms) reveal that non-economic concerns are very important determinants of attitude towards growth. Personal income is not the most important variable in any regression suggesting that money is not the most important motivator. A remarkably consistent result across the regressions is that employee well – being is the most important explanatory variable...”

While the argument rages on as to what is the primary motivation for owner managers seeking growth, it is indisputable that small enterprises only grow into medium enterprises when the owner managers desire such growth. This paper will further argue that the owner manager’s desire for growth alone is not enough, he or she also has to perform certain critical activities which then lead to growth and transformation.

1.14.4 Economic Rationale for Growth

Medium scale enterprises operate more efficiently, add much greater value to their products and have higher levels of productivity than small enterprises as observed by Larry Greiner (1998: p.59). They are therefore generally viewed as contributing in a much greater way to the national economy than SMEs.

In support of this viewpoint, Rodrigues *et. al.* (2003: p289) observed that the importance of growth is also apparent in the preoccupation of the various administrations in developing an economic climate that favours corporate expansion. To this end, several policies have been developed, aimed at achieving a critical size that favours competitiveness and reduces the death rate characteristic of small and medium sized firms. Thus enterprise growth is seen as the sine qua non for economic growth. Growing enterprises are seen as both a sign of a sound economy and also as a necessary condition for an economy to grow.

1.14.5 Picking Winners

The current best practice in Private Sector Development (PSD) promotion is to choose winners. This means that instead of assisting all small enterprises equally there is a deliberate effort to assist only those that are deemed to have much greater capacity for growth. This is a strategy called “picking the winners.” This assists in focusing on those small enterprises that have the greatest potential of graduating into medium scale enterprises. Morrison *et. al.* (2003: p. 417) explain this approach and its rationale thus,

“The argument proposed is that if small business support resources are limited, as is frequently the case, the way to maximize results is to apply those finite resources only to businesses that meet criteria such as the demonstration of growth and employment generation potential. In recent times there has been a substantial shift in interest and emphasis in the field of small business towards a focus on those with pro growth orientation.”

1.14.6 Black Economic Empowerment

BEE refers to the deliberate targeting of those who were previously disadvantaged during the colonial and apartheid era and seeking to bring them into the economic mainstream through affirmative action programmes. By and large, this concept in practice places emphasis on the bringing on the blacks into the economic mainstream through a variety of means.

One of the means of achieving BEE is the upgrading of the large numbers of black owned small enterprises into medium enterprises. Chamberlain and Smith (200, p.3) observed that a successful small business sector could also make a large contribution to black economic empowerment.

Some of the methods of upgrading the small enterprises into medium sized enterprises are the enhancing of the management capacities of the entrepreneurs who are the owner managers of these small enterprises and increasing their access to markets through sub-contracting from government and large enterprises. The improvement of the management capacities of the entrepreneurs in the SME sector and the market access support programmes are therefore seen as some of the methods of achieving BEE.

1.15 Definitions

1.15.1 Small versus Medium Enterprises

There has never been consensus as to the precise definition of small and medium scale enterprises. The Ministry of Industry and Trade, United Republic of Tanzania, Small and medium Enterprise Development Policy (2003: p. 4) concurred with this observation by stating,

“There is no universally accepted definition of SME. Different countries use various measures of size depending on their level of development.”

To emphasize the lack of consensus on a universal definition globally the International Labour Office (1997: p. 5) stated that no single definition can capture all the dimensions of “small” or “medium” business size, nor can it expect to reflect the differences between firms, sectors or countries at different levels of development. Whatever criteria are used, inadequate classification is inevitable.

Scholars, policy makers and practitioners are therefore grappling with the definitional issues. To illustrate this difficulty the Ministry of Trade and Industry of the Federal Democratic Republic of Ethiopia, Micro and small Enterprises Development Strategy, (1997, p.3) stated that the MSE sector is characterized by highly diversified activities. Hence, in order to channel the support facilities to this diversified sector, a definition is needed to categorize the sector accordingly. ... The Central Statistics Authority for the purpose of its survey ... set a definition on different sectors. The Authority based its definition on the size of employment and automation for small, medium and large enterprises and a combination of criteria for informal sector operators. However this definition could possibly incorporate some capital intensive establishments which could fall solely under medium or large scale categories. Thus in order to exclude those capital intensive enterprises which will not be entitled for the support services and addresses the real target MSEs, it is advisable to use a definition that can take this into account. Hence, a definition that is based on capital and which takes into consideration the level of technical and technological capacities is adopted.

This serves to comprehensively illustrate the definitional challenges that the policy makers and the practical challenges that these definitional challenges present. In this quote the policy makers in the Ethiopian Ministry of trade and Industry and the analysts at the Ethiopian Central Statistical Authority are clearly struggling how to adopt a definition that is simple, clear and yet encompasses all aspects of the small enterprise to enable them to target it accurately. The definition is also meant to assist the practitioners to focus their support on the right target group of MSEs.

Different criteria have often been used to define Small and Medium Enterprises. In most cases four criteria are most often used, namely, number of employees, level of technology used and the amount of invested capital and turnover per year.

Number of employees is the criteria most often used. For example, Ministry of Trade and Industry of the Federal Democratic Republic of Ethiopia, Micro and small Enterprises Development Strategy, Ethiopia (1997: p.2) stated that the small scale manufacturing sector engages, including owners, on average 3 persons per 'enterprise' while the average employee per 'enterprise' is 2 persons.

The amount of invested capital is also used. For example, Ministry of Trade and Industry of the Federal Democratic Republic of Ethiopia, Micro and small Enterprises Development Strategy, Ethiopia (1997: p.3) stated that Small Enterprises are those business enterprises with a paid up capital of above Birr 20 000 (about USD 2 200), and not exceeding Birr 500 000 (USD 55 000)

A combination of criteria is also used, for example United Republic of Tanzania, Ministry of trade and Industry, Small and medium Enterprise Development Policy, Tanzania (2003, p. 4) stated that In the context of Tanzania small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs. 5 million to Tshs. 200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs. 200 million to Tshs 800 million. In the event of an enterprise falling under more than one category, then the level of investment will be the deciding factor.

As illustrated above, the number of employees is the most commonly used criteria. This is mostly so because it is an easy criteria to use. It is easy to establish the number of employees in an enterprise unlike turnover and capital invested. The latter two are more difficult to establish because in most cases small enterprises have inadequate records and even when they do the proprietors are not very willing to fully divulge data related to their finances.

This fear of disclosure of financial data is mainly driven by the suspicion that this data may end up in the hands of the tax officials. Most enterprises in this category are not properly registered and licensed. They pay limited, if any, taxes. More often than not they evade paying their taxes. They are therefore afraid of being sanctioned for tax evasion by the authorities. The owners and managers of small enterprises are therefore most unwilling to disclose financial data for fear that the state authorities especially the tax officials may get access to the data and use it to prove that they have been avoiding paying their tax obligations. This would most likely lead to prosecution and possible incarceration.

Within the same criteria (number of employees, sales turnover or invested capital) there have been differences as to where the cut off line lies. In using the criteria of number of employees, some use the ranges. United Republic of Tanzania, Ministry of trade and Industry, Small and Medium Enterprise Development Policy (2003: p. 5) used the following definitions Micro enterprise I - 4 employees, Small enterprise 5 – 49, medium enterprise 50 – 99. Others use different ranges, for example International Labour Conference 1(1997: p. 5) the OECD defines establishment with up to 19 employees as "very small"; with up to 99 as "small"; from 100 to 499 as "medium" ...

Thus even where they agree to use the same criteria, academics, policy makers and practitioners have often failed to agree on where small enterprises begin and end and where medium scale enterprises begin and end. This lack of consensus, about which criteria or combination of criteria to use and within each criteria which are acceptable cut off points, has led to a lack of clarity as to what precisely constitutes small and medium sized enterprises.

Another body of definitions uses the functional approach. They rely on describing the distinctive functional features of the SMEs. Scott and Bruce (1987: p. 45-6) in adopting this functional approach defined a small business as an enterprise where:

- (i) Management is independent. Usually the managers are also owners.
- (ii) Capital is supplied and ownership is held by an individual or small group.
- (iii) Area of operations is mainly local. Workers and owners are in one home community, but markets need not be local.

However, despite this lack of consensus, there is a general understanding and agreement among academics, policy makers and practitioners that there indeed are small and medium sized enterprises that are distinct in their outlook and characteristics. Different academics, policy makers and practitioners therefore use their own definitions of what constitutes small and medium scale enterprises depending on the realities of their situation.

For the purposes of this paper, a combination of *financial capacity* and *works capacity* as defined by the Construction Industry Development Board of South Africa will be used as the criteria for distinguishing between small and medium scale enterprises.

1.15.2 Financial Capability

Financial capability relates to a firm's financial history (turnover) and the amount of working capital that a firm can muster to sustain a contract, i.e. available capital. Working capital is determined from the liquid cash resources available to the firm, the loans that may be acquired and any financial sponsorship the firm may be able to access CIDB Registration Application Forms (2000: p. 14).

1.15.3 Works Capability

Works capability is determined by the largest contract a firm has undertaken and completed in its class of construction works during the 5 years immediately preceding the application, the number of registered professionals firm employs, and the firm's fulfillment of the relevant statutory requirements CIDB Registration Application Forms (2000: p. 14).

A contractor may not undertake, carry out or complete any construction works of public sector contracts unless they are registered with the CIDB and hold a valid certificate.

For the purposes of this paper “employees” refers to both full time and part time employees. It also refers to interns and trainees. Employee in this paper refers to all those who perform regular work in the enterprise and receive a salary or some form of remuneration from the enterprise for the work performed.

1.15.4 Growth

“Growth” in this paper refers to the transformation from a smaller to a larger sized business enterprise. It refers to either the transformation of a small to a medium sized enterprise or from a medium to a large sized enterprise. In the context of this paper, growth this refers to the transformation of a small scale enterprise to a medium sized enterprise.

The concept of growth as advocated in this paper also refers to the transformation of the internal management practices within the enterprises from the basic to the more complex. Thus, growth is more than the physical expansion of the enterprise; it is also a process of development and maturity in the strategy, structure, and conduct of the enterprise leading to improved performance.

It is improvement in the management of the marketing, production, human resource, accounting, stock, communication and occupational safety and health functions of the enterprise that leads to growth. Growth therefore combines physical expansion and improvement in the managerial practices of the enterprise. It also refers to increased product or service delivery and market size and sales turn over. Growth therefore implies that the enterprise does more things, does them in a more efficient and effective manner, and does those things with more people.

Growth is normally measured in terms in of increased sales, revenue, profit, number of employees, assets, and productivity. In this paper, all these aspects of growth will be captured in the movement of a firm from a lower grade to a higher. The analysis of growth in this paper will be based on the Construction Industry Development Board (CIDB) registration and categorization of construction firms on its database.

The requirements for registration take into account the different stages of development of contractors in the construction industry. The major tool for grading of contractors is the **Application for Contractor Registration form** (Annex 6). The form asks for all information about the contractor and his/her firm. The form is used as the basis for contractor grading designation. The contractor grading designation in undertaken based on financial capability and works capability.

A registered contractor’s grading designation (indicated in the first column, below), means that the contractor is considered capable of undertaking a contract less than or

equal to the value indicated in the second column - within the contractor's registered class of works.

Table 1.1 CIDB Contractor Grading Table (unit = R1000)

Designation	Upper limit of tender value range	Best Annual Turnover	Largest Contract	Available Capital	Largest contract during the past 5 years
2	650	–	R 150	–	R 150
3	R 2 000	R 1 000	R 500	R 100	R 500
4	R 4 000	R 2 000	R 1 000	R 200	R 1 000
5	R 6 500	R 3 250	R 1 600	R 650	R 1 600
6	R 13 000	R 7 800	R 3 250	R 1 300	R 3 250
7	R 40 000	R 24 000	R 10 000	R 4 000	R 10 000
8	R 130 000	R 90 000	R 32 500	R 13 000	R 32 500
9	No Limit	R 270 000	R 100 000	R 40 000	R 100 000

Source: CIDB Registration Application Forms (2000, p. 14)

For the purposes of this thesis, focus will be on the owner managed medium size construction enterprises that have grown from the small (categories 2 – 4) to medium (categories 5 – 7).

1.16 Structure of the Thesis: Outline of the Chapters

The thesis will begin with Chapter One: General Introduction which will analyze the role and importance of Small and Medium construction enterprises in the economy and society at large. In this introductory section the significance of the construction Small and Medium Enterprises in the field of management will also be addressed.

The importance of the growth and graduation of the small construction enterprises into medium construction enterprises will also be analyzed. The introduction will conclude by reviewing the distinction between small and medium sized construction enterprises. The thesis will then look at the definitions of the key terms and words used, namely: Small and Medium Construction Enterprises, Growth, and Graduation.

In Chapter Two Theory and Practice of Small Business Growth, there is a review of the literature related to growth and graduation of small construction enterprises into medium construction enterprises. This will establish the state of knowledge in this field and will lay the basis for the knowledge and value addition that this thesis provides.

In Chapter Three the methodology of the thesis is presented. It will outline the problem statement and rationale. This will derive from the literature review and will be the point of departure of this thesis. Having outlined the problem statement and rationale for the thesis the research questions and proposition will now be presented. The research questions and proposition guide the research and are its point of reference. After the presentation of the research questions and proposition, the thesis outlines the research framework, design and methodology. This describes how the research was structured and implemented. It outlines the manner in which the research was conducted and what tools and methods were used collect the data.

Chapter Four describes who the research participants were, their profiles and their responses to the research questions. This Chapter presents the data gathered per respondent. This Chapter presents the analysis of the data based on the thematic categories based on the key issues driving construction enterprise growth from small to medium size.

Chapter Five presents a synthesis and analysis of the research results. The data is analyzed based on the research propositions and the research question. There is a review of the research propositions and a revisit of the main research question.

Chapter Six addresses the contribution to knowledge of this research. This chapter reviews the state of knowledge in each of the growth thematic areas identified in the literature and the empirical research findings. This chapter outlines the state of knowledge per thematic area and highlights the contribution to knowledge that this research makes.

Chapter Seven presents the conclusions and recommendations of the research. In conclusion section the relevance of the research is outlined. The relevance is addressed from three viewpoints, namely: societal, academic and practitioner. The recommendations are presented to practitioners and for further research.

1.17 Chapter Summary

This chapter has established that Small and Medium Enterprises (SMEs) and the role that they play in the economy have been widely studied. SMEs are of particular interest because they are seen as greatly contributing to innovation, economic competitiveness, equity and redistribution, employment creation. This research sought to analyze and draw insights on the growth of enterprises from small to medium size. The research will contribute to a greater understanding of “why some firms grow and others do not” The research will contribute to addressing the challenge that Freel, (2000, p.321) called the “black box”. It sought to unlock this “black box” by focusing on the role of the entrepreneur in facilitating or inhibiting small firm growth. This chapter highlights the importance of the growth to a national economy and why it is a worthwhile endeavor to analyze the dynamics of growth and the critical role that the entrepreneur plays. It then presents the structure of the whole research and the definition of the key terms and concepts. This chapter therefore lays the basis for an in-depth review of the existing literature and state of knowledge.

CHAPTER TWO

THEORY AND PRACTICE OF SMALL ENTERPRISE GROWTH

2.1 Introduction

This thesis falls within the realm of small enterprise growth. This Chapter builds on the overview of enterprise development and the definitions outlined in the previous chapter. It explores the state of knowledge on small enterprise growth globally, in Africa and specifically in South Africa. Small enterprise growth has received a lot of intellectual attention globally. This chapter reviews the major growth models that have been developed and how they inform the development of the research problems and the research questions for this thesis. The focus of the chapter will then turn to the state of knowledge about small enterprise growth in Africa and in South Africa in particular.

The review of the theory and practice in small enterprise growth globally, Africa, and South Africa in this Chapter will assist in the identification of the research gap which this thesis seeks to fill. It will assist in focusing this research on addressing the research gap by informing the development of the research problem and research questions. This Chapter lays the basis for the Methodology section which is focus of Chapter Three. This Chapter however will not review the literature on the Methodology which is covered Chapter Three.

2.2 Global Small Enterprise Growth Models

In 2007 Dobbs and Hamilton reviewed the small business growth literature to date. They divided the conceptual frameworks into: stochastic, descriptive, evolutionary, resource based, learning and deterministic. This research will follow this categorization to structure this literature review.

2.2.1 Stochastic Models

These are models which postulate that there are many factors that affect the growth of SMEs and therefore no one theory fully explains it. “The Law of Proportionate Effect” formulated by Gibrat (1931) has been the basis for many studies on business growth. The Law of Proportionate Effect, Dobbs and Hamilton (2007: p.297) states that,

“...the size of a firm at a future point in time is independent of its present size or, in other words, a firm’s past growth cannot be used to predict future growth.”

Gibrat's Law emphasizes that there are many causes behind the growth for businesses but none has a very dominant effect over and above all others. The quality of management, the tastes of its customers, government policy and many other factors contribute marginally to business growth.

Mansfield (1962: p.1031) sought to answer the question

“How well can the growth of firms be represented by Gibrat's law of proportionate effect?”

Mansfield (1962: p.1031) explained that Gibrat's law meant that a firm with sales of \$100 million is as likely to double in size during a given period as a firm with sales of \$100 thousand. He argued that Gibrat's law can be formulated in three ways depending on the manner in which the death of firms is treated. Firstly the law can hold for all firms including those that die during the period under period. But his conclusion is that this version of the law does not hold up to scientific scrutiny. Mansfield (1962: p.1032) argues that,

“The probability that a firm will die is certainly not independent of its size. In every industry and time interval, the smaller firms were more likely than the larger ones to leave the industry. For this reason, this version of the law seems incorrect.”

His second version of the law is that the law holds for all firms including those that leave the industry. Again Mansfield (1962: p.1032) rejected this version of Gibrat's law. Mansfield (1962: p.1032) found that contrary to this version of the law smaller firms often tend to have higher and more variable growth rates than larger firms.

The third variation of the law according to Mansfield (1962: p.1033) was that the law holds only for firms exceeding the minimum efficient size in the industry – the size below which unit costs rise sharply and above which they vary only slightly. Mansfield (1962: p.1034) stated that regardless of which version one chooses, Gibrat's law fails to hold in more than one half of these cases.

Overall Mansfield (1962, p.1035) concluded that,

“Research should be carried out to develop and study more sophisticated models of the growth process. Although Gibrat's law is very convenient from an analytical point of view, it does not seem to hold up very well empirically. It seems to be a rather unreliable base on which to rest theories of the size distribution of firms.”

Mansfield (1962: p.1044) observed that contrary to the law, smaller firms have relatively high death rates and those that survive tend to have higher and more variable growth rates than larger firms.

Calvo (2006) tested Gibrat's Law on 1272 small young innovative firms in Spain in the period 1990 – 2000. 305 of these firms died in the period under review. The data was obtained from the Firms Strategic Behaviour Survey. Calvo (2006) found that there were big differences between the firms that survived and those that died. Unlike those that died, the survivors: were four times bigger than those that died, had a legal status, had higher technological development, and are innovators. Based on this Calvo (2006) rejected Gibrat's law of proportional effect.

Calvo (2006:120) found that young innovating firms (on both product and process) grew more than the non – innovating firms. He stated that small manufacturing firms grew more than the rest of the firms in Spain during the period 1990 – 2000. The youngest firms were the ones that experienced the greater growth over the 10 years between 1990 – 2000.

Based on the review of Gibrat's Law of Proportional Effect, it seems clear that majority of the scholars reject it. This thesis will therefore not base its analytical framework on the basis of the law of proportional effect.

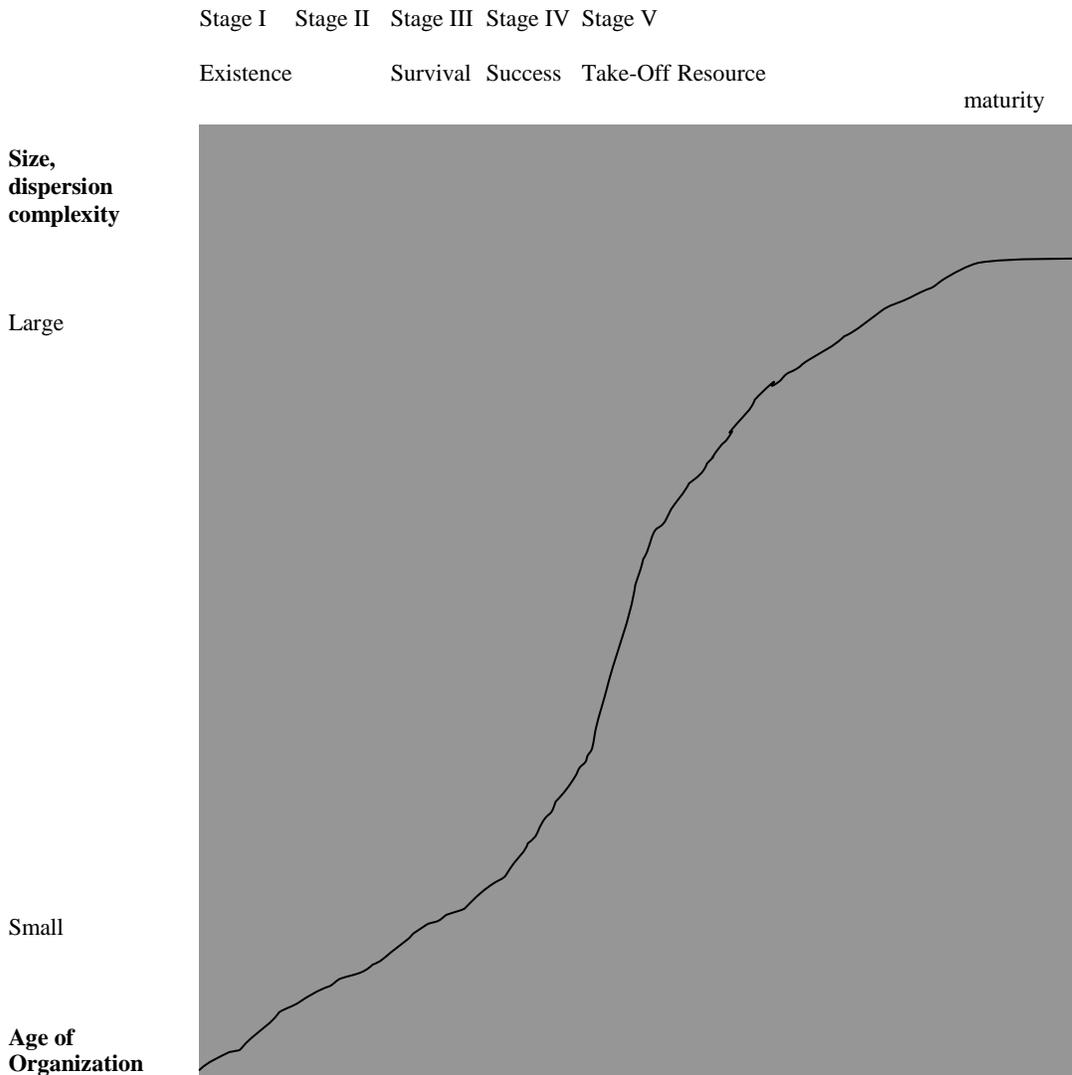
2.2.2 The Descriptive Product Life Cycle School

The prescriptive school looks at the growth process as occurring in stages that an enterprise goes through normally from one to the next in a sequential process. It does not seek to explain what causes growth but rather to explain how growth occurs and how an enterprise adapts to the growth process. Churchill and Lewis (1983: p.31) popularized the stages approach to business growth in their seminal article, "The Five Stages of the Small Business Growth". They postulated that a small business grows through five stages, namely: Existence, Survival, Success, Take – Off and Resource Maturity.

Figure 2.1 below illustrates the stages of growth.

Figure 2.1 Small Business Growth Stages

Growth stages



Source: Churchill and Lewis (1983: p.31)

Churchill and Lewis (1983: p.31) developed a framework where,

“Each stage is characterized by an index of size, diversity, and complexity and described by five management factors: managerial style, organizational structure, extent of formal systems, major strategic goals, and the owner’s involvement in the business.”

The value of the stage approach was that it would assist the owners and managers of the small businesses to understand the challenges they would be facing. This would assist them to anticipate the key requirements at different stages in the life of the business.

The stage approach also assists to assess the impact of government regulations and policies. Churchill and Lewis (1983) Gregory *et. al.* (2005)

The descriptive model was further strengthened in the article, “Five Stages and Growth in Small Business” Scott and Bruce (1987). Building on the work of Churchill and Lewis (1983), Scott and Bruce (1987: p.45) postulated that all businesses pass through distinctive growth stages (each with its own characteristics) as they develop. This development process can be likened to the product life cycle. Like products, businesses do not move through the cycle at the same speed but unlike most products can stay in the same stage for a considerable period of time.

The model saw the transition from one stage the next as characterized by ‘crisis’ which could be caused by internal or external factors. The challenges facing the entrepreneur according to this model were dual: dealing with the crisis itself and then managing the ‘new enterprise’ that will have transformed during the crisis.

Scott and Bruce (1987: p.45) emphasized that the value of the stages growth model was in its predictive ability. The use of the model lies in its anticipating when a crisis is likely to arise and what will be necessary to successfully negotiate the next stage of growth.

Figure 2.3 summarizes the growth stages and the key issues that the entrepreneur and the enterprise face at each of the stages.

Figure 2.2 A Model for Small Business Growth

	Stage 1: Inception	Stage 2: Survival	Stage 3: Growth	Stage 4: Expansion	Stage 5: Maturity
Stage of industry	Emerging-fragmented	Emerging-fragmented	Growth, some larger competitors, new entries	Growth, shakeout	Growth/shakeout or mature/declining
Key issues	Obtaining customers, economic production	Revenues and expenses	Managed growth, ensuring resources	Financing growth, maintaining control	Expense control, productivity, niche marketing if industry declining
Top management role	Direct supervision	Supervised supervision	Delegation, co-ordination	Decentralization	Decentralization
Management style	Entrepreneurial, individualistic	Entrepreneurial, administrative	Entrepreneurial, co-ordinate	Professional, administrative	Watchdog
Organization structure	Unstructured	Simple	Functional, centralized	Functional, decentralized	Decentralized functional/product
Product and market research	None	Little	Some new product development	New product innovation, market research	Production innovation
Systems and controls	Simple bookkeeping, eyeball control	Simple bookkeeping, personal control	Accounting systems, simple control reports	Budgeting systems, monthly sales and production reports, delegated control	Formal control systems, management by objectives
Major source of finance	Owners, friends and relatives, suppliers leasing	Owners, suppliers, banks	Banks, new partners, retained earnings	Retained earnings, new partners, secured long-term debt	Retained earnings, long-term debt
Cash generation	Negative	Negative/breakeven	Positive but reinvested	Positive with small dividend	Cash generator, higher dividend
Major investments	Plant and equipment	Working capital	Working capital extended plant	New operating units	Maintenance of plant and market position
Product-market	Single line and limited channels and market	Single line and market but increasing scale and channels	Broadened but limited line, single market, multiple channels	Extended range, increased markets and channels	Contained lines, multiple markets and channels

Source: Scot and Bruce (1987: p.48)

Greiner (1998: p.58) also uses a stages growth based model to explain the growth of small into medium sized enterprises. He states that the birth stage of an organization, the emphasis is on creating both a product and a market. The following are the characteristics of the period of creative evolution:

- The founders of the company are usually technically or entrepreneurially oriented, and they generally disdain management activities; their physical and mental energies are absorbed entirely by making and selling a new product.

- Communication among employees is frequent and informal. Long hours of work are rewarded by modest salaries and the promise of ownership benefits.
- Decisions and motivation are highly sensitive to marketplace feedback, management acts as customers react.

This description fits in directly with the characteristics of the small enterprise. Greiner (1998: p.59) then describes the characteristics of the medium enterprise as those companies that survive the first phase by installing a capable business manager usually embark on a period of sustained growth under able, directive leadership. The characteristics of this evolutionary period are:

- A functional organizational structure is introduced to separate manufacturing from marketing activities, and job assignments become increasingly specialized.
- Accounting systems for inventory and purchasing are introduced.
- Incentives, budgets and work standards are adopted.
- Communication becomes formal and impersonal as a hierarchy of titles and positions grows.
- The new manager and his or her key supervisors assume most of the responsibility for instituting direction; lower – level supervisors are treated more as functional specialists than as autonomous decision making managers.

Steinmetz (1995: p.32) contented that the growth pattern of the typical small business is S – shaped and had stages which showed the critical phases of the firm’s growth. He identified three stages, namely, Stage 1 which occurs in the direct supervision stage of growth, Stage 2, which occurs in the supervised supervision stage and the stage 3 which occurs in the indirect control stage.

Steinmetz’s (1995) Stage 1 relates very closely to Scott and Bruce’s (1998) Stages One and Two where survival is the key concern with the enterprise run as a one man operation. Stage 2 relates closely to Scott and Bruce’s (1998) Stages Three and Four where the focus is on growth and expansion. Steinmetz’s (1995) Stage Three is equivalent to Scott and Bruce’s Stage Five where the small enterprise reaches maturity.

Thus the prescriptive growth models are largely based on a variation of the product life cycle. They postulate that small enterprises grow through various stages. Each period has its distinctive characteristics that lead to a crisis in the enterprise. As that crisis is resolved the business moves to the next stage. The stage model assists managers to anticipate and better deal with the demands of the next stage, hence its descriptive and prescriptive nature.

This thesis will borrow strongly from both the productive life cycle and the prescriptive growth models in its analytical framework. It will seek to identify which activities are undertaken by the owner manager entrepreneur in the evolution of the contractor firms as they grow from CIDB Grades 2 – 4 to Grades 5 – 7.

It will seek to reconfirm some of the basic tenets of the productive life cycle and the prescriptive growth models as they apply to the construction sector in Gauteng South Africa. This thesis will also extend some of the basic tenets of the productive life cycle and the prescriptive growth models as they apply to the construction sector in Gauteng South Africa.

2.2.3 The Resource Based View

The “resource based” theories of enterprise performance which postulate that enterprises grow because of the unique mix of human, material and financial resources that the enterprise possesses.

Explaining the basis of the resource based theories and in particular the decisiveness of managerial action to enterprise success, Rumelt *et al.* (1991: p.27) observed that one trend that has emerged and deserves mention is the attention to internal organization. Strategic management is increasingly concerned with understanding the administrative processes that select and coordinate that firm’s activities. The capabilities of the firm, and the asset structures that accumulate, appear central to advantage and success. The assets that matter do not appear to be purely physical but are intangible and result from innovative managerial choice and action not easily duplicated.

In further explaining the concept of rarity of assets as the basis of competitive advantage in enterprise performance, Barney (2001: p.45) stated that research on the competitive implications of such firm resources as knowledge, learning, culture, teamwork and human capital, among others, was given a significant boost by resource based theory – a theory that indicated it was these kinds of resources that were most likely to be sources of sustained competitive advantage for firms.

In recommending the practical ways in which managers can utilize the resource - based theory to achieve sustained competitive advantage, Barney (2001: p.49) observed that resource - based logic can help managers more completely understand the kinds of resources that can generate sustained strategic advantage, help them use this understanding to evaluate the full range of resources their firm may possess. And then exploit those resources that have the potential to generate sustained strategic advantage. It can help identify what the most critical resources controlled by the firm are and thereby increase the likelihood that they will be used to gain sustained strategic advantages. Managers can also use the resource - based logic to ensure that they nurture and maintain those resources that are sources of a firm’s current strategic advantages.

In analyzing the role that the entrepreneur plays in facilitating the growth of small to medium sized enterprise, this paper falls within the resource – based theoretical framework. It takes as its departure, the view that the spirit of entrepreneurship that the owner manager is imbued with is in a key resource that the small enterprise has. The owner manager uses that spirit, to lead the small firm towards growth and transformation into a medium sized enterprise.

When that happens that is the enterprise using its resources to achieve sustained competitive advantage (Dobbs and Hamilton, 2006; Penrose, 1959; Harris et al, 2005; Murray and O’Gorman, 1994; Morrison et al, 2003; Gans and Quiggin, 2003; Wiklund et al, 2003).

Barney (2001: p.53) concurred by stating that:

“To the extent that developing strategic alternatives a firm can use to exploit the resources that it controls is a creative and entrepreneurial process, resource – based models of strategic advantage may need to be augmented by theories of creative and entrepreneurial process. These theories could then be applied to understand the strategic alternatives a firm might be able to pursue, given the resources it controls. While I am currently unaware of such a highly developed theory, these observations suggest a very close relationship between the theories of strategic advantage and the theories of creativity and entrepreneurship.”

This paper seeks to build on this link between resource – based theory and the theory of entrepreneurship. It builds knowledge on the link between resource based theory and entrepreneurship.

LeBreasseur *et. al.* (2006) undertook a research of 119 owners of small enterprises to identify the extent to which owners’ intentions were a determinant of the small enterprise’s organizational success and growth. They outlined the owner’s intention as the owner’s business vision, personal motivations, attitudes and perceptions. Based on these they identified four types of small enterprises owners: Lifestyler, Entrepreneur, Manager, and Mover. LeBrasseur *et al*, (2006: p.17) concluded that Movers deserve the most attention because both the personal and business characteristics are favourable for employment growth while Entrepreneurs and Managers deserve some attention because either the personal or business characteristics (but not both) are favorable for employment growth and Lifestylers do not merit any special effort beyond the standard services because all of the key characteristics oppose employment growth.

This thesis leans closely on the resource based theories and their association with the theories of competitive advantage. It will seek to identify those resources that a successful owner manager utilizes to draw competitive advantage enable the enterprise to achieve the growth from Grades 2 – 4 to Grades 5 – 7. This thesis will therefore reconfirm and extend the resource based theories.

2.2.4 The Deterministic Model

This model identifies a stable set of explanatory variables which explain the major reasons for the different growth rates of firms. The variables are related to the firm, the people and the industry environment.

It seeks to explain what causes growth by using multivariate statistical techniques on large cross sectional data sets (McMahon, 2007; Dobbs and Hamilton (2007), Bannock and Daroll (2007), Altenburg and Drachenfels, (2007), Kozan *et. al.* (2006), Oliveira and Fortunato (2006), Bentzen *et. al.* (2006), Arinaitwe *et. al.* (2006), Rodriguez *et. al.* (2003). The deterministic model explains some but not all of the variations in business growth among firms.

McMahon (2007) studied the relationship between ownership structure, business performance and financial performance among SMEs with different degrees of overlap between management and ownership in Australia. McMahon (2007: p.460) analyzed “the alignment effect” which argues that there is a positive relationship between the extent of owner – managership of a business and its performance. His conclusion was that there is no statistically significant relationship between ownership structure on the one hand and employment, sales or asset growth on the other.

This thesis will not rely on the Deterministic Model based on the fact that it explains the different growth rates of firms based on a stable set of variables. This thesis will not address which variables are appropriate in explaining growth of the firms. In particular this thesis will use the qualitative approach and not the quantitative approach on which the Deterministic Model is based hence ruling out the use of the Deterministic Model.

2.2.5 Innovation and Learning Perspective

This perspective holds that the knowledge which is riposted in the managers and their ability to utilize that knowledge to create new products or processes is the real driver of growth. This knowledge is accumulated through the learning capacity of the managers. The growth of the firm is said to reflect the capacity and the ability of the firm to learn from its experiences and apply that knowledge creatively. The challenge in mastering the growth of the firm, according to the learning and innovation theory, is to understand how and when entrepreneurs learn and apply that knowledge creatively the most (O’Neill *et al.*, 1987, p. 38; Penrose, 1959; Dobbs and Hamilton, 2007; Saemundsson and Dahlstrand, 2005; MacPherson and Holt, 2006; Gray, 2006)

O’Neill *et. al.* (1987: p.38) observed that large organizations use sophisticated planning systems yet most entrepreneurs resist using the planning systems found in large businesses. Indeed at the entrepreneurial stage, planning is largely intuitive. O’Neill *et. al.* (1987: p.40) concluded that the organization must perform these activities in the absence of the entrepreneur. The entrepreneur plants the seeds, but the planning competence must grow in the management team. This is how the entrepreneur makes an organization: he makes managers, he makes planners.

Mansfield (1962: p.1035) asked the question, how much of an impact a successful innovation has on a firm’s growth rate. In answer to this question, Mansfield (1962: p.1035) undertook a study in which he looked at two groups of firms in the steel and petroleum refining industries. He analyzed the growth rates of two groups of firms. One group comprised firms that were the first to introduce an innovation – a significant new process or product while another group was in the same industry but did not have any

innovation. Mansfield (1962: p.1036) found that there is a marked difference between the two groups. In every time interval and in both industries, the successful innovators grew more rapidly than the others; and in some cases, their average rate of growth was more than twice that of the others. As one would expect, a successful innovation had a greater impact on a small firm's growth rate than on a large firm's. Mansfield (1962: p.1044) concluded that in terms of short term growth, the rewards of successful innovation seem to have been substantial, particularly for smaller firms.

In analyzing the growth of small firms in the period 1990 – 2000, Calvo (2006: p.120) found that innovating firms, more product but also process innovating firms, have grown more than non – innovating firms. This led to the conclusion that innovation is the most important factor determining firm survival in Spanish manufacturing industry and that being small, young, innovating and situated in a technically developed sector and situated in a technically developed sector is fundamental to employment growth. This thesis will draw from the innovation and learning perspective.

2.2.6 The Theory of “fustest with the mostest”

Eminent management scholar Drucker (1985) developed the theory of “fustest with the mostest” in his article “Entrepreneurial Strategies”. Drucker (1985: p.9) in this article advances the theory that: When applying this strategy to the contemporary business, the entrepreneur aims at leadership, if not dominance, in a new market or industry. Being the “Fustest with the Mostest” does not necessarily imply creating a big business right away - though often this is indeed the aim. However, it does from the start aim at achieving a permanent leadership position.

In propounding this theory Drucker (1985) places the entrepreneur at the centre of the growth and transformation of the small enterprise. He also highlights the fact that most of these entrepreneur do not aim at building big businesses but medium sized businesses. Drucker (1985: p.11) further stated that not every ‘Fustest with the Mostest’ strategy needs to aim at creating a big business but they look for innovations that will lead to medium – sized rather than to a giant enterprise. The ‘Fustest with the Mostest’ strategy is therefore built around the desire of the entrepreneur to dominate the market by growing their enterprise from small to medium sized. The entrepreneur seeks to achieve this by creating an innovation that will dominate the market.

In analyzing what it is that the entrepreneur does to implement the ‘Fustest with the Mostest’ strategy Drucker (1985: p.13) observed that,

“For this strategy to succeed requires thought and careful analysis of the opportunities for innovation. Even then, it requires extreme concentration of effort. There has to be one goal and all efforts have to be focused on it. And when this effort begins to produce results, the innovator has to be ready to mobilize resources massively. ... After the innovation has become a successful business, the work really begins. Then the strategy ‘Fustest with the Mostest’ demands substantial and continuing efforts to retain

leadership position. ... The innovator has to run even harder than ever once he has a position of leadership.”

The ‘Fustest with the Mostest’ strategy propounded by Peter Drucker assists in giving an insight into what it is that entrepreneurs who grow their companies do. Drucker (1985: p.13) emphasized that creating a new and quite different – highly unconventional process as the basis for growth. This thesis is influenced by the ‘Fustest with the Mostest’ strategy in so far as it will review the role that innovation, in particular process innovation, plays in driving growth. However, process innovation is but one of the aspects of enterprise growth that this thesis will address.

2.2.7 The Impact of Growth on Internal Structure and functioning

Fombrun and Wally (1987:120) focused on the dilemmas that small firms confront “as *they struggle to cope with surges in growth*”. They undertook a cross - sectional study of 95 small firms in the US that had experienced a five year period of high growth. They found that as firms that experience sudden surges in growth develop new human resources practices, organizational structures, and cultural elements. Fombrun and Wally, (1987: p.120) concluded that, rapid growth may induce managers to design control systems that may work at odds with each other. ... (1) the need to control costs while simultaneously enhancing quality and creating new products to maintain parity with competitors, (2) the pull to centralize in order to retain control while simultaneously diversifying product offerings to remain competitive, (3) the desire to formalize so as to maintain internal consistency while also encouraging the contributions of autonomous, self managed professionals.

Glancey (1998) studied 38 small firms in the Tayside region in Scotland. He found that larger small firms grew faster than the smaller ones. Small firms located in the urban areas do not necessarily experience higher growth rates than those in the rural areas. Older small firms grew less rapidly than younger small firms.

This thesis has been influenced by some of the key ideas propounded by Fombrun and Wally (1987). In particular this theses will address the new human resources practices, organizational structures and elements that the firms in the sample undertake as they experience enterprise growth.

2.3 Small Enterprise Growth in Africa

In Sub Sahara Africa new enterprises are being established very rapidly (Mead and Liedholm, 1998). The majority of the small enterprises are one person micro - enterprises and they are the result of “forced entrepreneurship” than market opportunities (Rogerson, 2000, p. 688). The majority of the small enterprises do not grow (MacPherson, 1996) and 20 percent of those that grow only grow by a little (Mead, 1994).

King and McGrath (1999) observe that the level of human capital in the small enterprise has a positive impact on firm growth. The human capital is in terms of educational and

vocational training which are seen as critical in determining the enterprise's ability to compete. The nature of the sector is also seen as crucial to the potential for growth of the small enterprise.

Okech (2005) analyzed the factors contributing to the growth of small and micro enterprises in the urban areas of Nairobi. He targeted the 'jua kali' artisans in Eastlands section of Nairobi. The study found that all the carpenters in the 'jua kali' sector had similar designs and their financial management was weak. The cost of raw materials and capital goods were found to be too high. Harassment by city council was also cited as an impediment to growth. The council officers ask for "goodwill" from the entrepreneurs. Inadequate space and insecurity were also found to be major impediments to growth.

Tushabomwe – Kazooba (2006) analyzed the causes of small enterprise failure in Bushenyi and Mbarara towns of Uganda through an analysis of 133 small firms. 55% of the respondents identified taxation as a main contributor to their failure. The Value Added Tax introduced in 1997 had the effect of increasing the prices of goods thereby reducing sales. Power shortages and the high cost of power were also stated by 50% of the respondents that they were a constrain that led to small enterprise failure. Lack of capital, access to markets and weak management skills were also identified as contributors to small enterprise failure. Tushabomwe - Kazooba (2006: p.34) concluded that, small businesses in Uganda are faced with a number of challenges that lead to business failure. These causes of failure are quite diverse in nature. They have resulted in more than fifty percent of businesses failing in the first five years and fighting and uphill battle from the start.

In Southern Africa it is estimated that one percent of new micro enterprises grow into a successfully established small enterprise (Mead and Liedholm, 1998). The GEMINI project conducted interviews of 20 000 small enterprises in South Africa, Zimbabwe, Malawi, Lesotho, Botswana in the 1990s. These studies highlighted the dynamics of growth among small, micro and medium sized enterprises in the region. Based on the findings from these studies, Mead (1993) concluded that more than 40 % of the increase in the labour force in the 1980s was absorbed by the MSE sector in the five countries.

Drawing from the results of three nation wide surveys of the MSE sector in Zimbabwe conducted in 1991, 1993, and 1998 Daniels (2003: p.676) observed that, because of the growing numbers of MSEs and limited employment opportunities in the formal sector, may policy makers have turned to the MSE sector as a source of employment creation and economic growth. The sustainability of employment in the MSE sector, however, is uncertain. Furthermore, the relationship between economic growth and the MSE sector is not well understood.

Temtime and Pansiri (2006) undertook a research among 250 SMEs in to investigate how the managerial problems affect the performance and development of the SMEs in Botswana. They concluded that managerial actions, human resource development, organizational development and management background were the major managerial problems faced by SMEs. Temtime and Pansiri (2006: p.15) in conclusion they stated that

these problems could be summed up with one phrase, “*lack of the necessary skill to manage and run a business venture*”.

This thesis will build on and add on the growing body of literature on SMEs in general and in particular on the growth of SMEs to medium enterprises. Clearly the bulk of the literature on SMEs in Africa has focused largely on the informal sector and the main obstacles encountered by enterprises at the lower end of the spectrum. Growth literature has largely been on the graduation from informal to formal economies. This of course is understandable given the preponderance of the informal enterprises on the African continent. This section of the literature review has helped to focus this thesis more firmly and clearly in the upper echelons of the enterprise spectrum: formal small – medium enterprises.

By having a specific focus on the construction sector this thesis will add value in an area which has hitherto received scanty attention in the literature on growth on the African continent.

2.4 Small Enterprise Growth in South Africa

Rogerson (2008) undertook a review of the existing research in South Africa concerning the three important SME themes namely, (1) finance; (2) training and skills acquisition; and (3) the regulatory environment for Small Micro and Medium Enterprises (SMME) development. The literature review on small enterprise growth in South Africa, will follow this model by focusing on these areas.

2.4.1 National Policy Framework

There has been a great deal of policy focus on Small and Medium Enterprises (SME) in South Africa. In 1995 the Government of South Africa through the Department of Trade and Industry (DTI) published “The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa” to give overall direction and guidance to the promotion of small businesses.

The White Paper was tabled in Parliament on 20 March 1995. As an outcome of this White Paper the National Small Business Act was promulgated in 1996. It set the enabling environment and the institutional framework for the promotion of SMMEs in South Africa.

The national development process in South Africa initially was guided by the Accelerated and Shared Growth Initiative for South Africa (ASGISA), Presidency (2006). It has identified the sub – optimal regulatory environment as key contributors to the lack of sufficient growth and development among the SMME sector. Presidency (2006: p.4) observed that the mediocre performance of the small medium and micro business sector in terms of contribution to GDP and employment partly arises from the sub optimal regulatory environment.

The Department of Trade and Industry's (2005) Integrated Small Enterprise Development Strategy recognizes the importance of enhanced access to finance, improved skills acquisition and of developing an appropriate regulatory environment for enterprise growth. In 2007, DTI published 'A National Industrial Policy Framework'. In it DTI (2007: p.25) observed that substantial attention has been paid to the development of small business policy since 1994 as reflected in the Integrated Small Enterprise Development Strategy. In addition the institutional infrastructure for the development and support of small enterprises has also largely been put in place since 1994.

The SBP (2004) published a much debated study on the regulatory environment in South Africa. The basic premise of the study was that the regulatory environment constituted a major constraint small business growth. They concluded that the regulatory environment discouraged business growth. Chamberlain and Smith (2006: p.47) observed regulation as more likely to be a catalyst or facilitator of development rather than a driver of growth.

DTI in A National Industrial Policy Framework, (2007: p.25) acknowledged that regulatory effectiveness is also an important factor impacting on firms. For small and medium sized firms the regulatory burden may be too onerous.

A profile of the SMMEs in Mpumalanga province, DTI, Annual Review of Small Businesses (2004: p.25) observed that the two key issues flagged by SMME entrepreneurs as critically necessary conditions for future addition of more employees were expansion of the market, particularly in respect of government contracts and the re-evaluation of existing labour laws. Indeed, as a result of the labour legislation, a segment of the group established manufacturers indicated that 'they did wish not to grow the business by taking on additional labour'

Acknowledging the evolution of the evolution of the debate on the role of the enabling policy environment for SMEs Dockel and Ligthelm (2005: p.54) observed that policy makers are becoming aware of the economic and social limitations of policy initiatives that rely too heavily on the small business sector as a whole. These initiatives should instead be aimed at businesses and sectors with growth potential. In support of this view, in ASGISA, The Presidency (2006:16) committed the government to making a strong operational distinction between small and medium business and micro business.

Through ASIGSA, The Presidency, (2006: p.16) also resolved that,

"A further key small business initiative will be to pursue decisions made by the cabinet on the regulatory environment. The decisions on the small business regulatory environment:

- *That the Minister of Labour will lead a review of the labour laws, including their impact on small business.*
- *That the reform in tax administration affecting small business will continue.*

- *That the DTI and Department of Provincial and Local Government (DPLG) will make recommendations on how to improve the regulatory environment for small businesses in municipalities.*
- *That sector departments will review the impact of their laws and regulations on small businesses.”*

In analyzing the major factors driving small business growth among 792 formal SMMEs operating across eight different sectors in the Greater Johannesburg Metropolitan Area Dockel and Ligthelm (2005: p.61) concluded that the best policies to help employment growth in the small business sector will be probably to see that market conditions are as favourable as possible by ensuring a stable, growing macro – economy. There is a growing realisation that policy measures that merely provide a favourable climate for small business are not effective. More specific and targeted policies that focus on prioritised growth factors and sub – sectors of the SMMEs are required.

This is also confirmed by Trulsson (2002: p.337) who observed that the enabling environment is important – especially as the enterprise grows. This would appear to be related to the fact that the larger the enterprise becomes, the more difficult it gets to operate outside the formal economy. In talking about the enabling environment entrepreneurs tend to emphasize macro economic conditions per se, rather than specific regulations, This implies that they are quite capable of working their way through (or around) regulations, but that they find it more difficult to deal with economic downturns.

It is clear from the above that there is general consensus between the government, scholars and small business promoters that the regulatory environment requires major attention if small businesses are to grow.

2.4.2 Access to Finance

There has been a wide body of study on the role of finance in the development of the SMME sector (Falkena *et al*, 2001; Motsa and Associates, 2004; Bay Research and consulting, 2002; World Bank, 2006). These studies have focused on the issues of access to finance and the constraints this imposes on the growth and development of the small enterprises. They have also reviewed the efficacy of the government programmes designed to enhance access to fiancé of the formerly marginalized groups of entrepreneurs, the private sector programmes and the ‘pro-poor ‘micro – finance’ services.

The World Bank study (2005) identified the lack of credit as a major constraint faced especially by the ‘*emerging entrepreneurs*’. It found that they largely use personal savings or borrow from friends and relatives for business start-up and growth. Lack of collateral, discrimination and high interest rates were identified as the main reasons for the difficulties faced by ‘emerging entrepreneurs’ in accessing finance.

Falkena et al (2001) raise the issue of the differences in the financial needs of kind types of small enterprises. It highlights the differences of small enterprises in terms of their levels of development according to the life cycle phases. It also highlights the differences between the financing needs of 'minority' or white owned enterprises which have easier access to finance because they have collateral and equity in property on the one hand and the vast majority of the small enterprises from the previously disadvantaged communities (black) which have no or limited access to finance because of they lack collateral in its various forms.

Angela Motsa and Associates (2004) and the World Bank (2006) concurred with this differentiation of the small enterprises and the different realities they face regarding access to finance. FinMark Trust (2006) research found that while the upper end of the small enterprise sector is being serviced by the banks, the lower end is normally using a savings product if at all.

Despite the limited lending of the formal financial services sector to black owned small enterprises, Siyongwana (2004) found that there is a lack of research on informal moneylenders" in South Africa. He concluded that the informal money lenders provided an important service to the 'unbanked' small enterprises.

The government programme Khula Enterprise Finance was subjected to a number of studies and reviews. Makina and Malobola (2004) undertook an assessment of the impact of Khula and concluded that they had a positive impact on their beneficiaries (mostly women in the rural areas), led to an improvement in the economic wellbeing of the families, enhanced enterprise development and the increased empowerment of women.

DTI, in A National Industrial Policy Framework (2007: p.49) concluded that

"However, small enterprise financing and support services have not fully matched small enterprise requirements. Consequently the main focus of small enterprise development over the coming years is to expand the range of products to small enterprises."

2.4.3 Training and Skills Acquisition

ASGISA has identified the lack of adequate training and skills development as one of the key contributors to the lack of sufficient growth and development among the SMME sector. To compliment it and give greater focus to the importance of skills acquisition the government promulgated the Joint Initiative on Priority Skills Acquisition (JIPSA). Behar (2006: p.3) observed that the motivation behind the Government's Joint Initiative on Priority Skills Acquisition (JISPSA) is the view that a shortage of skill is constraining GDP growth.

Numerous studies confirm that the majority of the small enterprises in South Africa lack skills (King and MacGrath, 1999; King et al, 2002; Erasmus and Van Dyk, 2003, Dockel

and Ligthelm, 2005, Perks and Smith, 2008). Training and skills acquisition are therefore viewed as crucial for small enterprise growth and movement up the value chain.

Rogerson (2008: p.71) observed that the most successful, adaptive, and innovative SMMEs are those in which the entrepreneurs (and often also the workers) have good and high levels of education, technical/managerial skills and training. The World Bank (1993: p.14) research concluded that entrepreneurs who had achieved a Standard 10 level of education have average turnover nearly twice than those who have completed Standard 8. This emphasized the positive correlation between education and small enterprise turnover growth.

Rogerson (2000: p.692) stated that as a result of the legacy of apartheid education, the majority of the South Africa's population have not been socialized or educated to become entrepreneurs, but rather to enter the labour market as waged employees. It is against this background that emerging black small entrepreneurs face competition from groups of well-educated and multi skilled immigrant and local white and Indian entrepreneurs. The apartheid laws restricted black entrepreneurship for a long time. This has meant that a significant pool of skilled sub-contracting enterprises only begun to develop after 1994 (Rogerson, 2000: p.692).

Rogerson (2000: p.713) concluded by observing that,

“Finally, this study asserts the critical importance of differentiating between and researching the support needs of different categories of SMEs. The focus here has been upon the success stories of a category of SMEs that exhibits a growth trajectory at the upper end of the performance scale for small enterprise.”

DTI (2005: p.32) observed that critical to success in ensuring business survival, growth and expansion is a clear understanding of the business's needs at different stages, and developing and delivering appropriate products and services to respond adequately and timeously to those needs. Rogerson (2000: p.713) observes that most work on training and skills acquisition at a sectoral level has been done in the clothing and tourism sectors.

In support of this view Rogerson (2000) analyzed the determinants of successful SME growth in South Africa by concentrating on the clothing production in the Witwatersrand area. The study analyzed the extent to which education and training are critical to the success of the SME growth. The study found that the reason for the startup of the enterprise provide clear indications for the successful growth of the enterprise.

Of the 27 small enterprises interviewed, 20 were started to exploit a perceived market opportunity while the seven were out of “forced entrepreneurship”. Successful entrepreneurs in the sample tended to be well educated and also started after attending a training programme.

Access to finance was found to be a critical point in the growth of the studied SMEs. Access to bigger market and the relocation of the enterprise from smaller to bigger premises were also seen as a key turning point in the growth of the small enterprise. The change of location was accompanied by changes in workshop organizational layout and the introduction of new production lines. The capacity of the entrepreneur to innovate and diversify the product range was also a key determinant of growth.

Commenting on the training and skills acquisition in the tourism sector as the basis for small enterprise growth Rogerson (2008:73) observed that the Tourism Enterprise Programme is important in terms of highlighting a set of critical policy issues concerning enhanced small enterprise growth.

Perks and Smith (2008) undertook a study into the role of focused training programmes for the solving of growth problems of ten very small businesses drawn from the data base of the Nelson Mandela Metropolitan University. Using a variety of qualitative methods Perks and Smith (2008: p.156) reached the conclusion that,

“South African entrepreneurs have a poor skills record, which inhibits small business growth. It can be concluded that all very small business growth problems can be addressed with training programmes, except access to additional finance and to be regarded as credible.”

Ndabeni ((2008) examined the links between knowledge, innovation and small enterprise development within a knowledge based economy. He based his work on a case study analysis of the Tshwane University of Technology (TUT). He particularly looked at the TUT’s Technology Station in Chemicals whose mission is to improve the competitiveness and innovation capacity of SMMEs in the chemicals sector in the provinces of Gauteng, North West, Limpopo, and Mpumalanga. Ndabeni (2008: p.81) contented that the challenge lies in the identification of sources for further growth, particularly within the small enterprise economy. Indeed, knowledge and technological innovations are increasingly becoming the driving forces behind social and economic development.

Dockel and Ligthelm (2005) in their study of 792 formal SMMEs in the Greater Johannesburg Metropolitan Area reinforced the importance of management skills. Dockel and Ligthelm (2005: p.61) concluded,

“Generally, it seems that management acumen is indispensable for running for running successful SMMEs. Understanding business and macro – economic dynamics requires management skills that can be enhanced by appropriate training and experience. Successful businesses show a positive correlation between business management skills and entrepreneurial conduct.”

Perks and Struwig (2005) undertook a qualitative analysis of 35 micro and small enterprises from the Port Elizabeth area, to ascertain the skills necessary for micro

entrepreneurs to become small business entrepreneurs. Based on a comprehensive literature review they identified four categories skills: personal, technical, business operations and management. Using this framework they found from their empirical research thirteen skills which they identified as crucial to business growth namely, self development, networking, relationship marketing, time management, stress management, presentation, negotiation, general business management, record keeping, financial management, computer, management and risk management.

Perks and Struwig (2005: p.185) concluded that, micro entrepreneurs do not need all of the thirteen identified skills, but a combination of them. Lack of some of the skills can be overcome by using experts in the field such as accountants and business consultants. It was indicated in the control group that the three most important skills for business growth are self development, networking, and risk management skills.

DTI, profiled SMMEs in the Mpumalanga area for the 2004 Annual review of Small Business in South Africa (2004: p.26) and observed that a common thread regarding improved business performance of SMMEs was the lack of available skilled manpower

2.5 The Black Box – The Research Gaps

Many researches as outlined above have concluded that despite the large body of literature on enterprise growth there still remain unanswered questions. The question: “*Why do some firms grow and others not?*” Murray and O’Gorman (1994: p.175) still “*remains a puzzle*”. This research seeks to address some of the gaps that still exist in answering that question. Freel (2000: p.321) observed that the studies aimed at divining, a posteriori, the attributes of growth firms are an attempt to facilitate policy development and decide the ‘picking winners’ debate but the literature which has evolved has failed to provide a paradigm with consistent predictive powers. Reviewing all the literature on small enterprise growth Freel (2000: p.321) claimed that,

“More significantly, the internal dynamics of firm growth have remained something of a ‘black box’... The research which seeks only to enumerate frequencies and is capable on asking only what and how questions consequently neglect why and how, offers little elucidation of the process driving growth and results in oft uninformed policy making... Models of this ilk, neither describe, predictor, more importantly, explain very well... Yet, by developing the theory through the case evidence, a foundation may be laid upon which additional work will build”

This research therefore seeks to address the gaps that Freel (2000: p. 329) has identified, namely a research which can answer the process questions of why and how of enterprise growth at firm level rather than the industry level studies focusing on the “what” and “how many questions”. This research seeks to build on the foundation that Feel (2000) laid.

Wiklund and Sherpherd (2003: p. 1936) observed that there was more need to investigate heterogeneity of growth aspirations among small business managers. They saw a more detailed examination of the interplay between growth and growth aspirations as a key research gap. This thesis will contribute in addressing this research gap despite it not being its major thrust and primary focus. Wiklund and Sherpherd (2003: p. 1936) stated that finer grained research that investigates which aspects of education are most important to growth would be valuable. This thesis will pursue this research gap.

Oke, Burke and Myers (2007: p.750) observed that further studies are required to validate their findings on a larger sample and also in different contexts to reach firmer conclusions and the need to empirically investigate how SMEs actually undertake the process of developing new products. They concluded that it would be interesting to identify high performing SMEs and explore how they differ from low performing SMEs in the way they undertake or manage innovation activities.

Delmar and Wiklund (2008: p.453) concluded their research by calling for a better understanding of growth motivation and small firm growth which could serve to more closely integrate current work in entrepreneurship and firm behaviour. They called for more investigation in more detail the interplay among motivation, strategy, firm operations, and firm performance. They concluded by posing the question how small firm managers' growth motivation translate into behaviour, and which behaviours are more effective than others in promoting growth. It is precisely this question that this research seeks to answer. It seeks to build on Delmar and Wiklund's (2008) work by exploring which behaviours by small firm owner managers effectively result in the growth of the enterprise.

Okpara and Wynn (2007: p. 24) observed that their study could be enhanced by further research focusing on replication of their study using larger samples, a broader geographic base, using a more diverse set of businesses in the sample including those owned by women, using longitudinal nationwide study to hinder the factors that hinder small business development and the need to study the macro-economic environments in different sub Saharan economies and their impact on small business growth.

Arinaitwe (2006: p. 178) concluded his study with the observation that there could be other serious impediments (besides finance, technology, infrastructure, mobilization and world trade organization policies) to the growth and survival of small scale businesses in developing countries which gives impetus to further research so that new findings could be added to this valued piece of work.

Kesper (1998) observed that the '*state of the art*' of research on the determinants of success among the small enterprises was '*relatively sparse*' in South Africa. Ten years on, the situation has improved significantly but there still exist research gaps. Concluding a critical review and synthesis of the '*state of the art*' concerning research on these issues in South Africa Rogerson (2008: p.77) observed that, several research gaps can be identified and need to be addressed. Some of the research gaps that Rogerson (2008: p.77) identified are: government – led versus 'financial market systems approach' to

SMME financing, the potential applicability and relevance in South Africa of international 'good practice' for delivery of financial services to SMMEs, including of investing in supportive information structures such as credit bureaus, new forms of supplier finance such as factoring, monitoring demand versus supply of finance to SMMEs in different phases (start – up vs. growth phase), different sectors and different ownership status, the use of friends and family as source of finance, women entrepreneurs' access to finance, the changing involvement of banks in entrepreneurship / SMME financing and examining the market for pro – poor finance, training, regulatory environment for SMME in South Africa, analysis of the role of training as a business-success factor, understanding learning processes in SMMEs in different sectors, evaluation of the impact for SMME of government training systems, development and impact of sector specific training, impact of the changing regulatory environment for SMMEs, sector specific research on regulations, analysis of appropriate provincial government and municipal regulations for SMME development and continuous review of the appropriateness of existing finance, training and regulatory environment for supporting SMMEs. This thesis will pursue some of these identified research gaps.

Based on the above it can clearly be observed that there still exist numerous research gaps. This thesis picks on some of these research gaps. In particular it follows up on the gaps as identified by Freel (2000), Rogerson (2008), Kesper (1998) Okpara and Wynn (2007) Wiklund and Sherpherd (2003) and focusing on the internal dynamics of enterprise growth. This thesis will seek to unlock the “*black box*” of internal dynamics of firm growth.

2.6 Chapter Summary

The literature review confirms that a lot of research has been undertaken worldwide on SMEs (Churchill and Lewis, 1983; Scott and Bruce, 1987; Smallbone *et al.* 1995; Mead and Mukwenha, 1993; Moyo, 1991; Grierson *et al.* 1993; Perks and Struwig, 2005; Freel, 2000; O’Gorman, 2001; Freel and Robson, 2005; Rodrigues, 2003; Wiklund *et al.* 2003; Packham *et al.* 2005; Mengistae, 2006; Daniels, 2003). The literature has looked at various angles: contribution to the economy, employment creation, equity and redistribution and innovation. There has also been a specific focus on growth (Perks and Struwig, 2005, Chan *et al.* 2006; Chamberlain and Smith, 2006, Oke *et al.* 2007; Dobbs and Hamilton, 2007; Okpara and Wynn, 2007; Reddy, 2007; Perks and Smith, 2008; Calvo, 2006). Most of the focus has been on developing the growth stages, identifying a stable set of explanatory variables which explain the major reasons for the different growth rates of firms, the resources, types of innovation the owner manager’s motivation that are seen as the basis for growth.

In the African context most focus has been on the causes of informality and the constraints that micro and small firms face rather than growth (Mead and Liedholm, 1998, MacPherson 1996, King and McGrath 1999, Okech 2005, Tushabomwe – Kazooba 2006, Daniels 2003, Temtime and Pansiri, 2006, Behar, 2006). Focus on government regulations, access to finance and lack of managerial skills as the key determinants of high mortality of micro and small enterprises. There has been limited specific focus on

the growth of small enterprises into medium enterprises. Only Mead and Liedholm, 1998, have looked at growth from a national aggregate perspective – out of the total national population how many small enterprises have grown.

In South Africa the research by Rogerson, 2008, Chamberlain and Smith, 2006, World Bank, 2005, Dockel and Ligthelm, 2005, Falkena *et al*, 2001, Motsa and Associates, 2004, Bay Research and Consulting, 2002, World Bank, 2006, FinMark Trust, 2006) has focused on the three major issues: policy environment, access to finance, and training and skills. Very limited attention on the role of the owner manager and the role they play on growth and transformation of small to medium enterprises.

This research will pursue one strand of the research gaps – the role of the owner manager in small enterprise growth in South Africa. It is clear from the literature review that globally, in Africa and in South Africa, enterprise growth has received a fair amount of attention but not much on the role of the owner manager in facilitating the growth process. It will pursue the role that the owner manager performs in facilitating the growth of the small enterprises into medium enterprises.

This research will follow this line of inquiry. The problem statement, research questions and the proposition have been derived directly from this literature review.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Building on the previous Chapter Theory and Practice of Small Enterprise Growth, this chapter presents an over view of how the methodological process was actually undertaken. This is given as a basis for clearly laying out what data was collected, from whom and how was it collected. This chapter starts out by presenting the theoretical overview of the research framework. In this overview it presents the tenets of good research, the purpose of this research, the unit of analysis, inductive and deductive types of theorizing, and the qualitative and quantitative research paradigms. Thereafter the chapter presents the problem statement and the rationale for the research, the research question, the research propositions, the qualitative research design, the case study method, Sector selection, the research population, sample selection, data gathering techniques, data analysis techniques, research reliability and validity, research limitations and ethical issues in this research that this thesis has followed. This chapter provides a solid foundation for a review and interpretation of the findings and analysis in the next chapter.

3.2 Theoretical Overview of Research Framework

3.2.1 Tenets of Good Research

This study seeks to explore the role of the owner manager in driving the growth and transformation of a small enterprise into a medium sized enterprise. In doing so this study seeks to follow the tenets of a good research. Good research generates dependable data, derived from professional practices (Cooper and Chindler, 1998: p.15). To compliment this Leady and Ormond (2005: p.2) defined research as a systematic process of collecting, analyzing, and interpreting information (data) in order to increase our understanding of the phenomenon about which we are interested.

Leedy and Ormrod (2005: p.2) outlined the generic eight steps normally followed in all formal research as:

- a) Research originates with a question or problem
- b) Research requires clear articulation of the goal
- c) Research requires a specific plan for proceeding
- d) Research usually divides the principal problem into more manageable sub problems
- e) Research is guided by the specific research problem, question, or proposition
- f) Research accepts certain critical assumptions.

- g) Research requires the collection and interpretation of data in an attempt to resolve the problem that initiated the research
- h) Research is by its nature cyclical or, more exactly helical

These steps are generally consistent with those that outlined by Neumann (2006: p.15) and Cooper and Chindler, 1998: p.15-6). This research followed these 'standards' which will ensure that it fits to be classified as a 'good research'.

Neumann (2006: p.15) however emphasized that research is an interactive process in which steps blend into each other and a later step may stimulate reconsideration of a previous one. This description is true for qualitative research rather than quantitative research. This research followed this interactive process while remaining faithful to the generic steps outlined above.

3.2.2 The Purpose of this Research

There are three basic purposes of research: exploration, description and explanation as Collis and Hussey (2003: p.12) and Leedy and Ormrod (2005). Neumann (2006: p.33) defined the primary purpose of exploratory research as being to examine little understood issue or phenomenon to develop preliminary ideas and move towards refined research questions by focusing on the 'what' question; the primary purpose of descriptive research as being to 'paint a picture' using words or numbers and to present a profile, a classification of types, or an outline of steps to answer questions such as who, when, where and how; while the primary purpose of explanatory research is to explain why events occur and to build, elaborate, extend or test theory.

This research's primary purpose is to explore and describe the phenomena of enterprise growth. It seeks to develop a clearer understanding on how the owner manager of a small enterprise facilitates the growth of a small enterprise into a medium enterprise. It seeks to explore how the owner manager undertakes the facilitation role in the growth process. It seeks to explore what it is the owner manager does in the process of growth facilitation. It will paint a picture of the enterprise growth process and the unique role of the owner manager in that process. Therefore this research fits well as exploratory and descriptive research.

Defining the purpose of this research as exploratory and descriptive is consistent with Neumann's (2006: p.46) observation that qualitative research is more suited for exploratory and descriptive research than for explanatory research. In support of this view Eisehardt (1989: p.548) observed that, building theory from case study research is most appropriate in the early stages of research on a topic or to provide freshness in perspective to an already researched topic. This was reinforced by Chetty (1996, p.73) who observed that, traditionally, case studies were considered appropriate for exploratory research only. Given that this research seeks to explore a relatively new phenomenon – the role of the owner manager in the growth of construction firms in Gauteng, in South Africa, it is correct therefore to use the qualitative, case study approach.

3.2.3 Unit of Analysis

Neumann (2006: p.58) defined a unit of analysis as the unit, case, or part of social life that is under consideration. Neumann (2006: p.58) further argued that units of analysis are key in concept development, empirically measuring or observing concept, and in data analysis and there can be more than one unit of analysis in one research. In this research there will be two unit of analysis, namely the primary and secondary units of analysis.

In this research the **primary unit of analysis is the owner manager** of the small and medium enterprise. S/He is the focus of the analysis. The decisions they make and the actions they take will be analyzed thoroughly during the research to determine their impact on the growth of the business or lack of it.

The **secondary unit of analysis is the small medium enterprise** itself. The research will analyze the performance trends of the enterprise to determine its growth path and pattern.

The analysis will seek to determine what the interplay the primary unit of analysis the decisions and actions of the owner manager and secondary unit of analysis, the enterprise and its growth.

3.2.4 Two Types of Theorizing

There are two types of theorizing: deductive and inductive (Collis and Hussey, 2003: p.15). Neumann (2006: p.59) defined deductive theorizing as an approach to developing or confirming a theory that begins with abstract concepts and theoretical relationships and works toward more concrete empirical evidence. This is in contrast to inductive theorizing which Neumann (2006: p.60) defined as an approach to developing or confirming a theory that begins with concrete empirical evidence and works toward more abstract concepts and theoretical relationships.

This research will follow the inductive theoretical building approach. It will begin with observation of the empirical world of the owner manager of small medium enterprise and then reflection on what is happening, developing an abstract theoretical concept and proposition the role of the owner manager in facilitating enterprise growth. The research will build theoretical generalizations out of the process of trying to explain, interpret and rendering meaning from observed data.

In support of this inductive approach to theorizing, Eisenhardt (1989: p.541) observed that the central idea is that researchers constantly compare theory and data – iterating toward a theory which closely fits the data. A close fit is important to building a good theory because it takes advantage of the new insights possible from the data and yields an empirically valid theory.

This research will utilize the grounded theory approach. Neumann (2006: p.60) described grounded theory thus:

“Grounded theory is a widely used approach in qualitative research. The purpose of grounded theory is to build a theory that is faithful to the evidence. It is a method for discovering new theory. In it, the researcher compares unlike phenomena with a view toward learning similarities. He or she sees micro level events as the foundation for a macro level explanation.”

A key feature of inductive theory building is the comparison of the emergent concepts with existing literature. This involves comparing the emergent concepts with what is similar or contradicts that which is in existing literature and an analysis of why. Similarities between the emergent concepts and relationships and the existing literature ties together underlying similarities in phenomena not normally associated with each other. This results in theory with stronger internal validity, wider generalizability and a higher conceptual level (Eisenhardt, 1989: p.544).

3.2.5 Two Major Research Paradigms: Quantitative versus Qualitative

Neumann (2006: p.81) defined a paradigm as a general organizing framework for theory and research that includes assumptions, key issues, models of quality research, and methods for seeking answers. In reinforcing this definition, Denzin and Lincoln (1994: p.107), viewed a paradigm as a set of basic beliefs which drives how a researcher conducts her research.

There are basically two major paradigms in the field of research: the positivist and the phenomenological schools. These two paradigms have been engaged in what has been called “the paradigm wars” (Denzin and Lincoln, 1994: p.116).

The positivist school is generally considered as science. There is a major emphasis on quantification in the positivist paradigm. Quantification is based on mathematics. Mathematics has been called the “queen of sciences” Denzin and Lincoln (1994: p.106). It emphasizes discovering causal laws, careful empirical observations, and value – free research. The data is considered “hard data” in the form of numbers (Nuemann, 2006: p.151), Denzin and Lincoln, 1994: p.105).

Phenomenological school is seen as using “soft data” in the form of impression, words, symbols, sentences, and photos (Nuemann, 2006: p.151). It relies a lot on the capacities of the researcher himself. Denzin and Lincoln (1994: p.199) assert that qualitative researchers self-consciously draw upon their own experiences as a resource in their inquiries.

Because of the differences in the nature of the data that they use, the two paradigms also use different data collection methods.

The phenomenological researchers emphasize the detailed examinations of cases as they exist in the natural environment, in their socio – historical contexts. The researcher immerses him/herself within the setting in which the phenomena exist (Hirschman, 1986: p.238). Neumann (2006: p.151) called this “logic in practice”, which he defined as, a logic of research based on an apprenticeship model and the sharing of implicit knowledge about practical concerns and specific experiences, it is characteristic of quantitative research

In contrast, quantitative researchers rely on what Neumann (2006: p.151) called “reconstructed logic” which he defined as a logic of research based on reorganizing, standardizing, and codifying research knowledge and practices into explicit rules, formal procedures, and techniques, it is characteristic of quantitative research. Quantitative researchers focus on the ‘variables and propositions’. They emphasize measuring the variables and testing the propositions. In support of this Denzin and Lincoln (1994: p.200) observed that positivist research designs place a premium on the early identification and development of a research question and a set of propositions, choice of a research site, and establishment of sampling strategies, as well as specification of the research strategies and methods of analysis that will be employed. Thus quantitative research uses the linear research path. Neumann (2006: p.152) defined the linear research path as research that proceeds in a clear, logical step by step straight line.

On the other hand, qualitative research uses the non linear research path which Neumann (2006: p.152) defined as research that proceeds in a cyclical, iterative, or back and forth pattern. In this non linear research path there is much greater ambiguity; less emphasis on well formulated propositions, tightly defined sampling frames, structured interview schedules, and predetermined research strategies and methods and forms of analysis; and the research follows the path of discovery Denzin and Lincoln, (1994: p.200). Qualitative researchers emphasize the social context of the phenomena they will be studying Denzin and Lincoln (1994: p.226). The quality researchers are bricoleurs. They use bricolage, which Neumann (2006: p.158) defined as improvising by drawing on diverse materials that are lying about and using them in creative ways to accomplish a pragmatic task.

As bricoleurs, qualitative researchers draw from a variety of sources usually without being able to plan for them before hand. Bricolage means that the researcher has to be able to be pragmatic and combining diverse materials to draw meaning about the phenomena. In qualitative research, rich detail and insight into the cases replace the sophisticated statistical analysis of precise measures over many units or cases in the quantitative research.

Table 3.1 below is a composite table of the major differences between Quantitative and Qualitative research. It reiterates the differences as outlined by Hirschman (1986: p.239).

Table 3.1 Quantitative versus Qualitative Approaches

Quantitative Approach	Qualitative Approach
Measure Objective facts	Construct social reality, cultural meaning
Focus on variables	Focus on interactive processes, events
Reliability is key	Authenticity is key
Value free	Values are present and explicit
Theory and data are separate	Theory and data are fused
Independent of context	Situationally constrained
Many cases, subjects	Few cases, subjects
Statistical analysis	Thematic analysis
Researcher is detached	Researcher is involved

Source: Neumann (2006: p.13)

Because of the differences in the two approaches, there has been a major rift between the scholars of each approach. In support of this Neumann W. (2006: p.13) observed that:

“Unfortunately, there is a lot of ill will between the followers of each research approach. Some find it difficult to understand or appreciate the other approach.”

Because of these ‘paradigm wars’ every research has to make a choice between these two major approaches. So it is with this research. It has to locate itself between the positivist and the phenomenological approach. To assist in undertaking this task Leedy and Ormond (2005: p.105) advised that one should make the choice (of which research approach to use) based on the research problem which one wants to address. The research questions and the research problem are represented below to assist in the process of choosing whether the research should follow the positivist or the phenomenological approach.

3.3 Problem Statement and Rationale

This thesis addresses the issue of the growth of construction enterprises from small to medium size. The issue of enterprise growth in general has been widely studied globally (Mead, 1992; Morrison *et al.* 2003, Packham *et al.* 2005, Wiklund *et al.* 2003; Freel, 2000; Rodrigues, 2003; Harris *et al.*, 2005; Kozan, 2006; Gray, 2006; Oliveira and Fortunato, 2006, Saemundsson and Dahlstrand, 2005; Carpenter and Rondi, 2006; Chih-Chiang Lu, 2006). While some attention has been paid to the role of the entrepreneur as the dynamic element in the growth and transformation process but this has not been enough. This thesis therefore seeks to address this gap. This thesis takes as its departure, the decisiveness of the entrepreneur in the business system. It places the entrepreneur at the centre of the enterprise and analyses the role that the entrepreneur plays in facilitating or hindering the growth of the enterprise from small to medium size.

Freel (2000: p.321) observed that:

“More significantly, the internal dynamics of firm growth have remained something of a ‘black box’.”

This thesis seeks to contribute to addressing the challenge that Freel (2000) called the “black box”. It seeks to unlock this “black box” by focusing on the role of the entrepreneur in facilitating small firm growth.

In emphasizing the importance of the issue of growth and the focus on growth Morrison *et al.* (2003: p.418) in reference to their own study, stated that the key focus of the study was to obtain a more comprehensive understanding of the factors and characteristics that contribute to pro growth business orientation. This thesis falls within this genre of studies. However, its uniqueness lies in the fact that it brings a particular emphasis and focus on the decisive role of the entrepreneur in promoting or inhibiting growth.

Studies have been conducted (Morrison *et al.*. 2003, Wiklund *et al.*. 2003; Freel, 2000; Rodrigues, 2003) on the key drivers of the growth and transformation of small into medium enterprises but the state of knowledge is not yet mature. In acknowledging that the current knowledge on small firm growth is still not yet complete, Wiklund *et al.* (2003, p.254) observed that, the knowledge about small firm growth is still quite incomplete and incoherent

There are numerous drivers of the growth and transformation process from small into medium enterprises, namely size and growth of the market, the growth and performance of the industrial sub sector, the enabling policy and regulatory environment, and access to finance, Business Development Services (BDS) and technology.

This thesis will address the contribution of each to the growth and transformation process. But it will highlight that each of these on its own is not the most critical and decisive factor which can distinguish between those small enterprises that will successfully grow into medium sized enterprises and those that will not.

This thesis will highlight that a small enterprise may be in a high growth market, with a very supportive policy and regulatory framework and have easy access to finance, BDS and technology and may still not grow. This illustrates that there is still something missing which explains why some small enterprises grow and others do not.

Acknowledging this gap Rodrigues *et al.* (2003: p.289) observed that:

“From the view of the different models put forward from different areas of economic sciences, none of the approaches can be interpreted with total satisfaction, since the reason why some firms grow and others do not, remains to be determined.”

This thesis will seek to contribute to finding the answer to “why some firms grow and others do not” Rodrigues *et al.*, (2003: p.289). The proposition of this thesis is that it is the decisiveness of entrepreneurial spirit and managerial capability which resides in the entrepreneur that provides the answer to the question “why some firms grow and others do not” Rodrigues *et al.*, (2003: p.289).

This thesis will focus on what it is that the owner manager, who is imbued with the entrepreneurial spirit, does which enables that particular small enterprise to grow and transform into a medium enterprise. What do the enterprising owner managers do that the others do not do? Addressing this question is the distinct contribution of this thesis to the body of literature on the growth and transformation of small enterprises into medium enterprises. This is the value added of this study. This is the primary rationale of this thesis.

The additional value added of this study is in the practical insights that the thesis provides to practitioners giving support to SMEs to facilitate growth. This thesis will address the question of how entrepreneurs practically facilitate or hinder growth, which the practitioners who are in the business of supporting small firm growth have to pay attention to in order to enhance the efficiency and effectiveness of their work.

Having reviewed the various reasons why growth is pursued, the thesis then addresses the factors which drive growth. There is an analysis of the key drivers of small enterprise growth. The key drivers of growth which the thesis identifies and reviews are: an enabling macro-economic environment, market size growth, access to finance, BDS technology, and the dynamism of the entrepreneur.

The thesis then analyses the means through which the entrepreneur facilitates growth. The thesis identifies the following as the keys means through which the entrepreneur facilitates growth: sensing, deciding and implementing the growth strategy, seeking and acquiring new markets, radical restructuring of the enterprise functioning and structure, incremental improvements of enterprise, developing new products through technology and transforming funding from internal to external funding

The thesis then addresses the means through which entrepreneurs inhibit growth. The entrepreneur can make decisions and undertake activities that have the effect of making it impossible for the small enterprise to grow into medium enterprises. The entrepreneur can inhibit growth through: over centralization and resistance to change, mixing business and family, unwillingness to utilize new technologies, failure to recruit and retain competent professional people, unwillingness to utilize new technologies, no growth ambition.

3.4 Research Questions

Focusing on growth, this research seeks to identify the key drivers of why some firms grow and others do not. It seeks to unravel the “black box” of small enterprise growth in the context of South Africa. In this process the research seeks to focus on the role of the entrepreneur in facilitating or inhibiting growth. To achieve this end the research will seek answers to the following research questions?

3.4.1 Main Research Question

The main question that this research seeks to answer is: Is the entrepreneur the main driver of small enterprise growth and graduation, and what role does he or she play and how does he or she facilitate the growth and graduation of small into medium enterprises in South Africa?

3.4.2 Sub Research Questions

Based on the main research question above the research will also seek answers to the following sub research questions:

- vi. What are the key drivers of growth and transformation of small enterprises into medium enterprises in the context of South Africa?
- vii. What do the owner managers of small enterprises which grow and transform into medium sized enterprises do which those that do not grow and transform do not do in South Africa?
- viii. To what extent does the macro-economic environment determine the growth and transformation of the SMEs, in South Africa?
- ix. To what extent do access to finance, technology, local and international markets, and Business Development Services (BDS) facilitate the growth and transformation of SMEs in South Africa?
- x. In South Africa, do entrepreneurs drive the growth and transformation of SMEs more than the macro-economic environment, the industrial sub sector growth and competitiveness or the technological advancements in the industry?

3.5 Research Propositions

Building on the main and sub research questions above, the research will seek to answer following proposition:

- **Proposition One (P 1):** The entrepreneur is the key driver of small enterprise growth and graduation in South Africa.
- **Proposition Two (P 11):** The entrepreneur is the main inhibitor of small enterprise growth and graduation in non – growth small enterprises in South Africa.
- **Proposition Three (P 111):** Macro - economic environmental factors are a key but not the decisive driver for growth and transformation of SMEs.
- **Proposition Four (P 1V):** The growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of SMEs.

To assist in answering the question “Which approach should I use?” Leedy and Ormrod (2005: p.106) developed Table 3.2 below to guide the process.

Table 3.2 Criteria for Selecting Quantitative or Qualitative Approach

Use this Approach If	Quantitative	Qualitative
You believe that	There is an objective reality that can be measure	There are multiple possible realities constructed by different individuals
Your audience is	Familiar with / supportive of quantitative studies	Familiar with / supportive of qualitative studies
Your research question is	Confirmatory, predictive	Exploratory, interpretive
The available literature is	Relatively large	Limited
Your research focus	Covers a lot of breath	Involves in-depth study
The time available is	Relatively short	Relatively long
Your ability/desire to work with people is	Medium to low	High
Your desire for structure is	High	Low
You have skills in the area(s) of	Deductive reasoning and Statistics	Inductive reasoning and attention to detail
Room for description: Your writing skills are strong in the area of	Technical. Scientific writing	Literary, narrative writing

Source: Leedy and Ormrod (2005: p.106)

In reviewing the research problem and questions above, it is evident that they are focusing on the exploration and description of the role of the owner manager in the small enterprise growth process. The research question and sub questions focus on the 'what' and 'how' of small enterprise growth and transformation, with special focus on the role of the owner manager. It is clear that this is exploratory and descriptive research within the phenomenological research. Using the table above it is clear that the research is geared towards inductive reasoning with a lot of attention to detail. As established in the Literature Review section, there has been very limited research on the issue. The profile of the study is definitely covering a limited area (role of owner manager in facilitating enterprise growth) but in a lot of depth. Based on these features of the study, it is clear that it lends itself very well to qualitative research.

3.6 Qualitative Research Design

3.6.1 Characteristics of Qualitative Research Design

Given that this research follows the phenomenological paradigm it is pertinent to review the characteristics of qualitative research design. The characteristics of qualitative research design, as presented by Denzin and Lincoln (1994: p.212) are:

- i. *“Qualitative design is holistic. It looks at the larger picture, the whole picture, and begins with a search for understanding of the whole.*
- ii. *Qualitative design looks at relationships within a system or culture.*
- iii. *Qualitative design refers to the personal, face to face, and immediate.*
- iv. *Qualitative design is focused on understanding a given social setting, not necessarily on making predictions about that setting.*
- v. *Qualitative design demands that the researcher stay in the setting overtime.*
- vi. *Qualitative design demands time in analysis equal to the time in the field.*
- vii. *Qualitative design demands that the researcher develop a model of what occurred in the social setting.*
- viii. *Qualitative design required the researcher to become a research instrument. This means the researcher must have the ability to observe behaviour and must sharpen the skills necessary for observation and face to face interview.*
- ix. *Qualitative design incorporates informed consent decisions and is responsive to ethical concerns.*
- x. *Qualitative design incorporates room for description of the role of the researcher as well as description of the researcher's own biases ideological preferences.*

xi. Qualitative design requires on-going analysis of the data.”

This research endeavoured to comply with these characteristics of qualitative research design.

3.6.2 Qualitative Research Methodologies

Having selected the Qualitative Research Approach, it is pertinent to point out that there is a multiplicity of qualitative research methodologies (Leedy and Ormrod 2005, p.133). The most common ones are: case study, content analysis, ethnography, grounded theory research, historical research, observation research, and phenomenological research.

They all have two things in common (Leedy and Ormrod 2005, p.133):

- *“They pay attention to phenomena that exists in the natural settings, the real world*
- *They involve studying those phenomena in all their complexity and multifaceted form without simplification.”*

The choice of which of the qualitative methodologies to use is directed again by the nature and objective of the research problem and questions.

Denzin and Lincoln (1994: p.223) observed that the research strategy is determined by the nature of the research question. Guided by this observation, this research will use the case study research strategy given the nature of the ‘what’ and ‘how’ research questions as stated above. The link between the research questions and the methods chosen is the key to determining the usefulness of the results (Denzin and Lincoln, 1994: p.223). Table 3.3 below by Denzin and Lincoln (1994: p.224) assisted in the selection of the research paradigm, strategy method and data sources.

Table 3.3 Comparison of the Major Types of Qualitative Strategies

Type of research Questions	Strategy	Paradigm	Method	Other Data Sources
Meaning questions – eliciting the essence of experiences	Phenomenology	Philosophy (phenomenology)	Audio taped conversations, written anecdotes of personal experiences	Phenomenological literature, philosophy reflections, poetry, art
Descriptive questions – of values, beliefs, practices of cultural group	Ethnography	Anthropology (culture)	Unstructured interviews, participant observation, field notes	Documents, records, photography, maps, genealogies, social network diagrams
Process questions – experience over time or change, may have stages and phases	Grounded theory	Sociology (symbolic interactionism)	Interviews (tape recorded)	Participant observation: memoing, diary
Questions regarding verbal interaction and dialogue	Ethno-methodology, discourse analysis	Semiotics	Dialogue (audio/video recording)	Observation: field notes
Behavioural questions: macro	Participant observation	anthropology	Observation: field notes	Interviews: photography
Behavioural questions: micro	Qualitative ethology	Zoology	observation	Videotaped: note taking

Source: Denzin and Lincoln (1994: p.224)

This research’s focus is on the ‘what’ and ‘how’ process questions which seek to understand the role of the owner manager in facilitating business growth over time through the stages and phases of the small enterprise. Based on the table above, this puts this research in the grounded theory strategy, sociology symbolic interactionism paradigm, using the interviews, and participant observation data collection methods.

The direction offered by this table is remarkably consistent with the approach of the research so far.

3.7 The Case Study Method

3.7.1 Definition of Case Study Method

The case study was defined by Neumann (2006: p.40) as an in-depth examination of an extensive amount of information about very few units or cases for one period or across multiple periods of time. This definition was augmented by Eisenhardt (1989: p.534) who defined case study as a research strategy which focuses on understanding the dynamics present within single settings.

In this approach, which Yin (2009: p.3) called “*a rigorous methodological path*”, a particular business owner / manager of a growth enterprise and the enterprise itself are going to be studied in depth for a period of time. Yin (2009: p.9) states that the ‘how’ and ‘why’ questions are more explanatory and likely to lead to the use of case studies. This is because such questions deal with operational links needing to be traced over time, rather than mere frequencies or incidence.

The case study is particularly relevant to this research because it enables the in-depth study of the contribution of the owner manager’s decisions and actions to the growth of the enterprise. Chetty (1996: p.78) observed that by using the case study approach, the reasons why certain decisions were made, how they were implemented and with what result, can be identified. It enables the generation and provision of preliminary support for propositions.

3.7.2 Single versus Multiple Cases

There has been a debate about single case study versus multiple case studies Yin (2009: p.53). Dyer and Wilkins (1991: p.634) advocate for a single case study research proclaiming that in our opinion, to assume that a single case cannot be a useful unit of analysis for theory building ignores important exceptions.

Dyer and Wilkins (1991) are for the single case approach because they feel it presents a better opportunity for the deep understanding of a particular social setting. Dyer and Wilkins (1991: p.615) argue that:

“a multiple case study research places too much emphasis on general constructs, they tend to neglect the more tacit and less obvious aspects of the setting under investigation. They are more likely to provide a rather distorted picture, or no picture at all, of the underlying dynamics of the case.”

In contrast to the single case study approach advocated by Dyer and Wilkins (1991), Eisenhardt (1989) advocates for a multiple case study approach observing that this gives the research a richer depth and variety of data.

3.8 Sector Selection

3.8.1 Sector Selection Process

This research will follow the sub sector approach, which means that only enterprises in one sector will be selected and analyzed. The rationale for this is that it will side step the methodological challenge of distinguishing between enterprise and sectoral issues. If all the enterprises are in one sector, therefore the major macro-economic and macro-economic environment issues facing the enterprises are similar. But if the enterprises are in different sectors, therefore the major macro-economic and macro-economic environment issues facing the enterprises are different. The challenge of attribution will then be faced; which factors are internal to the enterprise and which factors are external to the Sector.

By choosing the same sector the attribution challenge falls away – as all the enterprises face the same challenges. The focus on the drivers of enterprise growth, which is the rationale for this study, then analyzes internal versus uniform external factors. It is for this reason that this research has chosen to take the same industrial sub sector route.

Having decided that this research will take the same sub sector route, the question now becomes: Which industrial sub sector to chose? The procedure for selecting the industrial sub sector to focus on is provided through the value chain selection protocol as out lined in the value chain selection and upgrading best practices.

Value chain selection is a process through which a researcher follows defined steps to decide which sector to focus on (Panlibaton, 2006: p.4). The steps, as defined by Panlibaton (2006: p.4) are:

- a. Determine the criteria
- b. Review existing secondary sources
- c. Identify initial value chain candidates
- d. Develop a matrix of the criteria and the candidates, and
- e. Compile the results for final selection.

These steps are roughly similar to the ones laid out by the United States Agency for International Development (USAID) (VOCA, 2009: p.1)

The criteria for selecting the sector that this research will utilize are:

- i. employment creating growth,
- ii. number of MSMEs in the sector,
- iii. and government prioritization of the sector.

3.8.2 Selection of the Construction Sector

The Industrial Policy Action Plan (IPAP) outlines eight sectors which the government will focus attention on given their propensity for achieving growth which is employment rich. In this vein, the Medium Term Strategic Framework, The Presidency (2009: p.14) (MTSF) emphasized the importance of employment creating growth sectors by stating that:

“Ensuring that the IPAP mobilizes support for sectors that can create employment on a large scale while expanding South Africa’s manufacturing capacity. In particular it should provide a framework for developing and implementing strategies for improving the contribution of employment creating growth of major sectors ... agriculture, mining, tourism and other services and construction...”

Thus the construction sector has been identified as a government priority sector which is characterized by employment rich growth (CIDB, 2004: p.31). This is more so given the role that the construction sector has played in the development of road infrastructure and stadia for the World Cup.

The construction industry is experiencing “significant growth” (CIDB, 2007: p.1) The growth has been driven by the huge investment in infrastructure investment. The investment has been driven mainly by the public sector accompanied by private sector investment. The investment has been as a result of the country winning the World Cup 2010. This has resulted in the need for the country to build and upgrade the football stadiums for the world cup matches and also the practice venues. The other infrastructure investment has been in the transport network especially the road networks and the Gautrain railway line.

Most of this infrastructure development has been in the context of the Infrastructure Inputs Sector Strategy (IISS) of The Presidency. The investment in the construction industry is about R158.6 per annum (CIDB, 2007: p.2) and has been increasing over the past few years.

In the construction industry, the private sector accounts for 76% of industry activity while the public sector accounts for the balance of 24 % (CIDB, 2007: p.3).

The focus on the construction industry is based on the high concentration of emerging contractors in this segment and the correspondingly high level of informal employment relationships (CIDB, 2004: 16). The informal construction industry is also the principal resort for construction workers retrenched from large-scale companies during the economic downturn. The contractor SMEs present an avenue for the eventual reintegration of the retrenches into the First Economy. Therefore the construction industry was finally chosen because it offers significant potential for the capacitating SME to enter a high-growth market through specialization on environmentally friendly and energy-efficient building materials and –services.

High rates of failure, particularly amongst emerging enterprises, are a serious concern within the industry and impacts negatively on sustainable industry growth (CIDB, 2004: p.15).

The key strategic contribution of the construction is to combat rising unemployment and job informality in South Africa in the aftermath of the global economic and financial crisis, here through the creation of decent and green jobs in Small and Medium Scale Enterprises (SME) operating in the construction sector (ILO, 2009: p 4).

The size of the South African Informal Economy is significant: According to figures from Statistics South Africa, in 2007 more than 2.1 million people or about 17% of the labour force worked in the so-called Second Economy (outside subsistence agriculture and domestic households), with informal employment concentrated in trade and construction Statistics SA (2007).

The employment in the formal construction sector in 2006 was 450 000 and 320 000 in the informal sector CIDB (2007: p.iii).

Informal employment further increased by 20% in the construction sector over the time period 2001-2007 (Statistics SA, 2007). Compounded figures for 2009 are yet to be released but it must be assumed that this trend has accelerated as a direct result of the global economic and financial crisis. According to Statistics South Africa, the building and construction sector shed 65,000 formal jobs in the first quarter 2009 (Statistics SA, 2009). In the absence of alternative employment opportunities in a recessionary macro-environment of South Africa in 2009, it is very likely that many of these retrenched have swelled the ranks of the Second Economy construction sector.

The construction industry does face challenges of poor quality standards resulting in the, “*owners of buildings and infrastructure not always satisfied with the end product*” and the exclusion of small scale entrepreneurs (Construction Industry Development Board (CIDB), 2007: p.ii). The CIDB (2007: p.ii) outlined the challenges faced by the construction industry as:

“Quality Standards: ... concerns have been raised in the industry about increasing non-compliance of materials and products with national standards, including;

Many projects are poorly specified, and artisans and foremen are not accredited in terms of their performance in achieving the necessary standards,

Many of the current specifications are perceived to present a barrier to entry to small scale entrepreneurs and exclude their participation in

particulars markets, and a limited amount of clients are reportedly not requiring materials to comply with SANS standards.”

Based on the above criteria and the analysis this thesis will therefore focus on the SMEs in the construction industry. SMEs play a key role in the construction and are becoming increasingly more important in the sector (CIDB, 2007: p.iii). In concurrence with this, the CIDB (2004: p.42) observed the holistic empowerment of South African construction will focus transformation of large and medium sized established companies and also on enterprise development and growth of small and medium sized black owned companies.

3.9 The Research Sample Selection

3.9.1 CIDB Database Population

This research focuses on owner managed medium sized construction enterprises. The starting point for the sample selection of this research is therefore to review the totality of the construction enterprises in South Africa. The logical focal point for identifying the totality of the construction enterprises is the CIDB database.

The CIDB database is divided into nine categories of construction enterprises. The first step in selecting the cases that were information rich was to approach the population and define a segment of that population which is good and useful for this research. The population for this study is defined as all construction enterprises in South Africa. To find all construction enterprises in South Africa, the researcher approached the Construction Industry Development Board (CIDB) to gain access to its data base of construction enterprises.

The Construction Industry Development Board was established by Act No. 38 of 2000. Its mission as outlined by the Act is to promote sustainable growth of the construction industry and the participation of the emerging sector in it. The main function of the CIDB is to establish and maintain a national register of contractors which provides for categories of contractors in a manner which facilitates public sector procurement and facilitate private sector procurement, National Department of Public Works (2000, p.2).

The main purposes of the CIDB national register of contractors are to assess the performance of contractors in the execution of contracts and thus provide a performance record for contractors, regulate the behaviour and promote minimum standards and best practice of contractors, store and provide data on the size and distribution of contractors operating within the industry and the volume, nature, performance and development of contractors and target groups National Department of Public Works (2000, p. 18).

The requirements for registration take into account the different stages of development of contractors in the construction industry. The major tool for grading of contractors is the **Application for Contractor Registration** form. The form asks for all information about the contractor and his/her firm. The form is used as the basis for contractor grading designation. The contractor grading designation is undertaken based on financial

capability and works capability. A contractor may not undertake, carry out or complete any construction works of public sector contracts unless they are registered with the CIDB and hold a valid certificate.

The total number of contractors in the CIDB database is 81 292. The Table below shows the total number of contractors on the CIDB database divided by Grade.

Table 3.4 Total Number of Contractors by Grade

Grade	Number of Active Contractors
1	71818
2	3304
3	1109
4	1810
5	1429
6	1107
7	458
8	171
9	86
TOTAL	81292

Source: CIDB Database (15-2-2011)

3.9.2 Sub Population Delimitation

The selection of cases is very important as it will determine the amount and quality of information collected. The selection has to meet two objectives:

- identify cases that are information rich in relation to the research problem and questions,
- and, identify cases in such a manner that the findings and conclusions from those cases can be extended to the whole population.

To meet these twin objectives, this research will use elements from both the qualitative and quantitative research sampling methodologies. This first objective of selecting cases for this research - *identify cases that are information rich in relation to the research problem and questions*, will be met using the qualitative approach. This will ensure that only those cases that are relevant and can contribute to the research problem and questions are selected.

The second objective of selecting cases for this research - *identify cases in such a manner that the findings and conclusions from those cases can be extended to the whole*

population, will be met using the simple random sampling quantitative approach. This will ensure that the findings and conclusions are valid.

This mixing of qualitative and quantitative approaches is supported by Love, Holt and Li (2002: p.295) who stated:

“Recent debate has however, suggested that CM (Construction Management) research requires a hybrid approach in the context of these two somewhat contrasting, research approaches. The present authors concur that effective CM research methodologies can embody both of these paradigms to varying extents, often simultaneously.”

The first step in selecting the cases that are information rich is to approach the population and define a segment of that population which is good and useful for this research. The population for this study is defined as all construction enterprises in South Africa. To find all construction enterprises in South Africa, the researcher approached the Construction Industry Development Board to gain access to its data base of construction enterprises.

The total number of contractors in the CIDB database is 81 292. This research delimited the segment for this research and selected those contractors that have grown from the small (categories 2 – 4) to medium (categories 5 – 7). The total number of medium contractors which met this growth parameter was: 2 345.

Through this sub population delimitation the research could focus on the owner manager medium contractor firms that meet the growth parameters for this research. These contractors have been chosen because they meet the - information rich criteria – of qualitative research. The qualitative research cases are chosen gradually and it is the content of the cases which determine whether they are chosen Denzin and Lincoln (1994: p.229).

Eisenhardt (1989: p.537) alternatively called this method the theoretical sampling. This is because the research questions seek to explore the interplay between small business enterprise growth and the role that the owner manager plays in the growth process. Given this particular focus of the research the sub population delimitation was directly relevant as assisted the researcher to identify cases which helped in the examination of the interplay between small business enterprise growth and the role of the owner manager.

In support of this Neumann (2006: p.222) observed, that the researcher uses a wide range of methods to locate all possible cases of a highly specific and difficult to reach population. In support of this, Denzin and Lincoln (1994: p.229) observed that the logic and power behind purposeful selection of informants is that the sample should be information rich.

Chetty (1966: p.78) in a summary of a study he undertook using the case study method to an Export Performance by small enterprises stated that,

Small to medium – sized firms were chosen because of the feasibility of access to decision – makers. Each case was carefully selected so that either it predicts similar results (literal replication) or it predicts different results for expected reasons (theoretical replication). The unit of analysis was the firm. This meant that questions had to be pertinent to this unit of analysis otherwise the data collected would be irrelevant.

This summary assisted this research in the selection of cases.

3.9.3 Sample Size Determination

The selection of the number of cases is normally undertaken in advance. The selection of the number of cases is a problematic issue (Yin, 2009: p.58). This is because of pragmatic considerations about the resources available (time and money) as well as theoretical considerations. This research will follow the advice of Eisenhardt (1989: p.545) that:

“There is no ideal number of cases, a number between 4 and 10 usually works well. With fewer than 4 cases, it is often difficult to generate theory with enough complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini – cases within it. With more than 10 cases, it quickly becomes difficult to cope with the complexity and volume of the data.”

Perry (2001: p.312) also observed that:

“There are no precise guides to the numbers of cases to be included... although some researchers advocate a minimum of two cases, the usual view is that four cases is the minimum. In brief, the widest accepted range seems to fall between 2 and 4 as the minimum and 10, 12 or 15 as the minimum.”

Based on this advice, this research analyzed between four - six cases. The sample size is therefore four – six enterprises. The challenge of this research was therefore how to reach the four - six cases from the sub population of 2345. Literature has highlighted that in undertaking a multiple case study the selection of the final sample cases is very crucial.

Denzin and Lincoln (1994: p.243) noted, nothing is more important than making a proper selection of cases. The cases are opportunities to study the phenomena. The researcher examines various interests in the phenomenon, selecting a case of some typicality, but leaning toward those cases that seem to offer opportunity to learn. That may mean taking the one that we can spend the most time with Denzin and Lincoln (1994: p.243). Eisenhardt (1989: p.535) confirmed the importance of case selection by stating, the selection of cases is an important aspect of building theory from case studies.

From the sub population of 2345 owner managed medium size construction enterprises which had grown the research then selected the five sample owner managed medium size construction enterprises using the combination of simple random sampling and purposive sampling techniques.

3.9.4 Simple Random Sampling

The second objective in the selection of cases (after the information rich criteria) is that the conclusions can be extended to the population. As already discussed in section 3.2.5 above, quantitative case selection methods are more widely believed to lead to – VALIDITY (that the conclusions from the cases can be extended to the whole population) and RELIABILITY (the research can be repeated with the same results).

Given that this research wanted to achieve validity and reality based on the quantitative approach, it used the **Simple Random Sampling** technique to select the final 4 – 6 owner managed medium size construction enterprises cases for the research using the research randomizer.

Research Randomizer is a free software programme available on the internet www.randomizer.com. It was developed to conduct random assignment and random sampling. It generates random numbers and it works best with Firefox search engine. Research Randomizer uses the “Math.random” method within the Java script programming language to generate its random numbers for all modern web browsers.

To select the random sample for the case studies, the 2 345 owner managed medium size construction enterprises from the CIDB database which fit the criteria of growth (enterprise that grew from categories 2 - 4 to 5 – 7) were loaded onto the Research Randomizer form. The Research Randomizer was given the criteria to select six groups of six owner managed medium size construction enterprises. The results obtained for the six groups of six owners managed medium size construction enterprises each are presented in the Table below.

Table 3.5 Research Randomizer Results

	Opt-1	CRS No	Opt-2	CRS No	Opt-3	CRS No	Opt-4	CRS No	Opt-5	CRS No	Opt-6	CRS No
Set 1	1535	114321	811	111730	1509	112372	418	102808	761	102066	1871	137142
Set 2	1714	108495	1060	113798	1225	121732	1069	114194	1778	138774	1141	119017
Set 3	420	103038	720	110032	616	107547	691	111431	544	100988	1012	116260
Set 4	1156	119672	615	107442	1475	111218	1712	108453	2244	125588	1788	141820
Set 5	1416	108537	338	104925	964	104766	452	104386	1078	114633	977	105028
Set 6	775	103590	2114	115668	141	100908	416	102757	487	106445	1521	113157

The author selected six groups to maximize the possibility of finding randomly selected growth contractor firms in the Gauteng province. The decision to choose the growth contractors from Gauteng from the random sample was designed to reduce the costs of conducting the research to manageable levels. The travel and accommodation costs to growth contractor firms in KwaZulu Natal, Western Cape, or Mpumalanga provinces (where the rest of the growth contractor firms in the random sample came from) would have been prohibitive.

The decision to focus on Gauteng owner managed medium size construction enterprises is consistent with the “*pragmatic considerations*” advocated by Eisenhardt (1989: p. 545) where “*time and money dictate ... case collection*”. This viewpoint is also reinforced by Perry (2002: p.312) who urge case researchers not to “*ignore the real constraints of time and funding in most research.*” Based on this, this research therefore focused on the cases from the random sample in the Gauteng province.

3.9.5 Final Sample Selection

From the above six sets of six enterprises the researcher then purposefully and deliberately chose those enterprises from Gauteng province for the convenience reasons given above.

The enterprises which met the Gauteng criteria are listed below in Table 3.6

Table 3.6 List of Gauteng based Owner Managed Medium Size Construction Enterprises

Enterprise Number	Initial Grade	Current Grade	Owner Managed	Province
106445	2 GB	6 GB	Yes	Gauteng
103590	4 EB	7 EB	Yes	Gauteng
104386	2 SK	6 SW	Yes	Gauteng
121732	2 GB	6 GB	Yes	Gauteng
111218	4 GB	5 GB	Yes	Gauteng
110032	4 GB	6 GB	Yes	Gauteng
106354	3GB	6 GB	Yes	Gauteng
107442	4 CE	6 CE	Yes	Gauteng

The researcher then contacted the owner managers of these enterprises to request their participation in the research. This initial contact was undertaken through the telephone using the land line and mobile phone numbers listed on the database as shown above.

Based on these telephone contacts, the final five enterprises were selected as listed in the Table below.

Table 3.7 Final List of Research Respondent Growth Construction Enterprises

Enterprise One	2 GB	6 GB	Respondent One	Gauteng
Enterprise Two	4 EB	7 EB	Respondent Two	Gauteng
Enterprise Three	2 GB	6 GB	Respondent Three	Gauteng
Enterprise Four	4 GB	6 GB	Respondent Four	Gauteng
Enterprise Five	4 CE	6 CE	Respondent Five	Gauteng

These enterprises were selected on the basis of their willingness to participate in the research. The concept of willingness is central to a key tenet of qualitative research, namely, the informed consent principle. The owner managers of each of the above enterprises were contacted directly and requested to partake in the research. Before they gave the decision to participate or not to participate the objectives of the research were thoroughly explained to them. Based on a clear understanding of the scope research they then gave their willingness to participate. A key aspect of the consent to participate was a willingness to set aside the required time for the interview to allow the researcher access to their enterprise and the workers for further interviews and observation.

The combination of the qualitative and quantitative methods (simple random sampling system and convenience sampling) is consistent with the advice of Denzin and Lincoln (1994: p.215) to avoid:

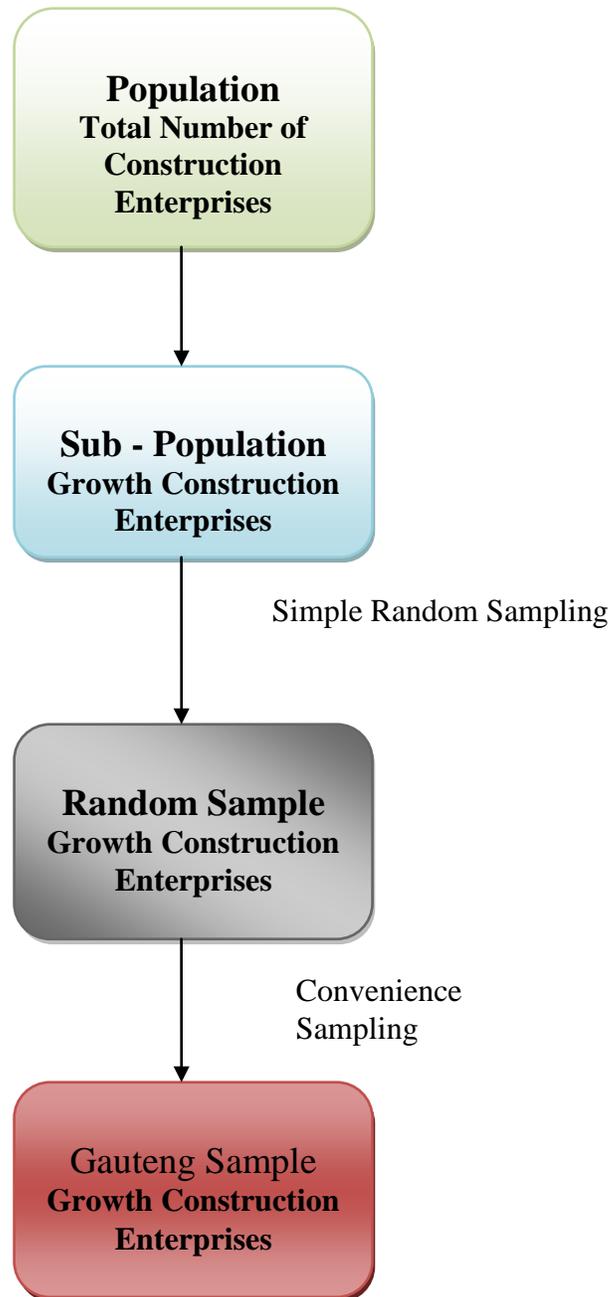
“:methodolatry (which) is the slavish attachment and devotion to method that so often overtakes discourse”

The strategy of combining qualitative and quantitative approaches is further corroborated by Eisenhardt (1989: p. 538) who added that the combination ... can be highly synergistic.

Therefore this research has taken the approach of selecting the sample enterprises using both simple random sampling and convenience sampling to ensure that the research can be “fuller and more comprehensive” by drawing on the strengths of both the qualitative and quantitative approaches. Through the convenience sampling this research is able to focus on the ‘information rich’ construction enterprises which bear the most relevance to the research question. Through the simple random sampling using the Randomizer software, the research is able to ensure that each of the 2345 construction enterprises has

a fair chance of being selected thereby bringing in the most important element of external validity and generalizability. The sampling process is outlined below in Figure 3.1

Figure 3.1 Overview of the Sampling Process and Methods



3.10 Strategies of Enquiry / Data Collection Methods

3.10.1 Definition and identification of Strategies of Enquiry / Data Collection Methods

Denzin and Lincoln (1994: 202) define the strategy of inquiry as:

“The practices used by the researcher - bricoleur when moving from a paradigm and research design to the collection of empirical materials. Strategies of inquiry connect researchers to specific approaches and methods for collecting and analyzing empirical materials”.

Strategy of inquiry is also otherwise known as data collection methods.

In this case study approach extensive data is going to be collected on the individual owner managers and the enterprise which are the subject of the research. This data are going to be collected through face to face interviews, telephone follow up interviews, observation, and document analysis.

3.10.2 Triangulation of Data Collection Methods

Four methods of data collection, namely face to face interviews, telephone follow up interviews, observation, document review, were used. This use of multiple data collection methods is called “*triangulation of method*” Nuemann (2006: p.150). Triangulation of method is the observing of a phenomenon from different viewpoints to get a real understanding of it (Perry, 2001: p.319). The principle is that it is better to look at phenomena from different angles than from only one angle to understand its reality Chetty (1996, p.77). Reinforcing this viewpoint, Denzin and Lincoln (1994: p.224) stated,

“Because different lenses or perspectives result from the use of different methods, often more than one method may be used within a project so the researcher can gain a more holistic view of the setting. Two or more methods may be used sequentially or simultaneously, provided the analysis is kept separate and the methods are not muddled.”

In addition to triangulation of method, this research will also use the *triangulation of data*. Triangulation of data is the use of evidence from different sources Nuemann, (2006: p.150). The use of multiple sources of evidence in case studies allows the researcher to address a broader range of historical and behavioural issues. This allows for the development of converging lines of inquiry Yin, 2009: p.115). Triangulation of method and data will provide for stronger substantiation of constructs and propositions Eisenhardt, 1989: p.538).

In addition there was also *triangulation of observers* Denzin and Lincoln, (1994: p.150). This was the use of more than one observer and interviewer. This added to the richness of the data collected given that the observers had complementary insights.

In addition, the convergence of observations from more than one investigator improved the confidence in the findings Eisenhardt (1989: p.538). This also had the added advantage of removing interviewer bias Chetty (1996: p.77). This ensured that the limitations of the interviewer or observer did not become the limitations of the whole research. In support of this, Denzin and Lincoln (1994: p.150) observed that multiple observers add alternative perspectives, backgrounds and social characteristics and will reduce the limitations.

The research is going to record details about the context surrounding the owner manager and the enterprise. This will include the physical environment, and any historical, economic and social factors that impact on the owner manager and the enterprise. This context will assist readers of the case to draw conclusions about the extent to which its findings might be generalized to other situations.

3.10.3 The Selected Data Collection Methods

Data collection took from April – November 2010. All data potentially useful to the case study was recorded thoroughly, accurately, and systematically mainly using field notes. As the data was being collected, the author was also jotting notes about the initial interpretations of what the author was seeing and hearing.

The principal data collection methods that were used in this research are: Observation, In-depth Semi Structured Face to Face Interviews, Follow Up Telephone Interviews, Document Review. This is consistent with the recommendation by Denzin and Lincoln (1994: p.202) that the case study relies on interviewing, observing and document analysis. Eisenhardt (1989: p.534) confirmed this as well, by stating that case studies typically combine data collection methods such as archives, interviews, questionnaires, and observation. Case studies can be used to provide description, test theory or generate theory (Eisenhardt, 1989: p.535). In this research the case study approach will be used to generate theory.

3.10.3 (a) The In-depth Semi Structured Face to Face Interview

The In-depth Semi Structured Interview was the primary data collection method used in this thesis. Interviews are a very effective method of gathering a large volume of data. The interview is a method for collecting data in which selected participants are asked questions to find out what they do, think or feel (Collis and Hussey, 2003: p.167). As a method it can be used for both positivist and phenomenological research. When used in the positivist research it is normally used with closed questions.

When used in phenomenological research it is normally used in unstructured or semi – structured interviews with open ended questions. The open ended questions have the advantage that the respondents are able to give their opinions as precisely as possible in their own words Collis and Hussey (2003: p.179). Thus in the In-depth Semi Structured Interview Guide Annex most of the questions used are open ended questions to allow the owner managers of small scale constructions enterprises to give their general opinions on of the causes, inhibitors and process of growth freely and as precisely as possible.

The open ended questions also allowed the owner managers to give their opinions and views on their own specific contribution to the growth process without any hindrances.

Collis and Hussey (2003: p.168) suggested that semi structured interviews are best used when:

- a) *“It is necessary to understand the construct that the interview uses as a basis for his or her opinions and beliefs about a particular matter or situation.*
- b) *One aim of the interview is to develop an understanding of the respondent’s ‘world’ so that the researcher might influence it, either independently or collaboratively.*
- c) *The step by step logic of the situation is not clear.*
- d) *The subject matter is highly confidential or commercially sensitive.*
- e) *The interviewee may be reluctant to be truthful about this issue other than confidentially in a one on one situation.”*

This research used the semi structured interview because the issue of growth issues in small enterprises fulfills all the conditions set out above.

Leedy and Ormrod (2006: p.146) recommend that the interviewer can ask questions about facts (especially biographical data), people’s beliefs and perspectives about facts, feelings, motives, present and past behaviour, standards for behaviour (what people think should be done in certain situations) and conscious reasons for actions or feelings. This research asked questions about all these elements. Please refer to Annex 1: The In-depth Semi Structured Interview Guide to see that all these elements have been covered.

Interviews for this research were semi structured based on a few central questions. This gave the interviewer the flexibility to delve deeper into issues of interest to the study as they came up. Their semi structured nature was designed to ensure that each interview at least covered the same core issues. This safeguarded against the risk of each interview yielding different data on different phenomena thereby rendering the data unusable for comparative case analysis.

The conduct of interviews needed to follow certain parameters for it to be effective in gathering the required data. Leed and Ormrod (2005) synthesized the guidelines offered by Creswell (1998), Eisner (2002), Shank (2002) and Silverman (1993) into a composite guide on how to conduct interviews in a qualitative research. The conduct of this semi structured interview followed these guidelines as offered by Perry (2001: p.311), Leedy and Ormrod (2005: p.147), Nuemann (2006: p.305) and Denzin and Lincoln (1994: p.229). This research synthesized the guidelines which it then followed. These are the guidelines which this interview used:

- I. Identify some questions in advance: the questions must be related to the research questions and the overall research problem. Limit the number of questions to between five and seven. The questions must encourage people to talk about the topic without the research suggesting at the direction that the answer should take.

- II. Make sure the interviewees are representative of the population but in some cases you can pick ‘extremists’ but should identify them as such in the notes.
- III. Find a suitable location. You will have more success in a quiet place where the interviewee will not be disturbed.
- IV. Get written permission. Explain the nature of the study and your plans for using the results. Ask the participant to sign a consent form. Offer to provide a copy of the research when the research has been completed.
- V. Establish and maintain rapport. Begin the interview with small talk to break the ice. Be courteous and respectful at all times. Show genuine interest in what the person has to say. The interviewer must not disclose his own thoughts, beliefs and feelings but should use body language and neutral encouragements like “Go on” and “What do you mean” to maintain closeness and trust.
- VI. Focus on the actual rather than on the abstract or hypothetical. Ask what a person does or would do in a specific situation.
- VII. Don’t put words in the interviewee’s mouth. Let a person express their own views and thoughts. A good interviewer is a good listener.
- VIII. Record responses verbatim
- IX. Keep you reactions to your self.
- X. Remember that you are not necessarily getting facts.
- XI. When conducting a focus group discussion take group dynamics into account. Limit the talkative ones and give a chance to the shy and quiet ones.

These guidelines were followed closely in the execution of the field research. This was very useful and valuable advice that the research followed in pursuit of a quality qualitative research.

One of the major disadvantages of interviews is that they rely on people’s memories. Yet people’s memory is liable to distortions. People are subject to memory lapses and even selective memory of that which they liked. To counter this disadvantage, this thesis used three other methods (triangulation) namely: Document Review, Observation and Follow Up Telephone Interviews.

3.10.3 (b) Interviewer Bias

Researchers define the expected behaviour of the interviewer during the interview process to reduce bias. This is to ensure that the conduct of an interview is not influenced by the behaviour of the interviewer or the way the interviewer asks the questions. Interviewer characteristics, the social setting of the interview, the interviewer’s race and gender can all affect the answers of the interviewee. Neumann (2006: p.309) has identified six categories of interview bias which this research endeavored to avoid. These are

- a) Errors by the respondent – forgetting, embarrassment, misunderstanding or lying because of the presence of others
- b) Unintentional errors or interviewer sloppiness
- c) Intentional subversion by the interviewer
- d) Influence due the interviewer’s expectations about a respondent’s answers based on the respondent’s appearance, living situation, or other answers

- e) Failure of an interviewer to probe or to probe properly
- f) Influence on the answers due to the interviewer's appearance, tone, attitude

Given the guidelines above, this research used the Semi – Structured Interview Guide which is in Annex 1.

3.10.3 (c) The Observation Technique

The observation method can be undertaken as a “*relative outsider or as a participant observer*” (Leedy and Ormrod, 2005: p.145). Observation in the qualitative method is unstructured and free flowing unlike observation in quantitative research. This gives a lot of flexibility to take advantage of new data which was unforeseen as it emerges.

The disadvantage of this method is that it may take an inexperienced researcher too much time to find the most relevant data. The other disadvantage is that by the researcher's very presence he /she will influence the behavior of the people, what they do and how they do it.

The recording of the data from the observed phenomena is also problematic (Leedy and Ormrod, 2005: p.145). The written notes often did not capture the full breadth and depth of all the on goings. The tape recorder often made back ground noises which affected the atmosphere, attention and self consciousness of the owner manager and the employees. Eventually the tape recorder had to be discarded as it clearly made everyone at the enterprise uncomfortable. A video camera was brought in but it only captured action from one direction. In addition, the video camera, even more than the tape recorder influenced the people being observed to act and behave differently. It also had to be discontinued.

Leedy and Ormrod (2005: p.145) offered advice for effective observation to counter the weaknesses identified above. These guidelines were utilized in the development of the Observation Guide which was used. The Observation undertaken in this thesis was guided by the Observation Guide attached as Annex 2. The advice by Leedy and Ormrod (2005: p.145) was followed closely in the design of this Observation Guide. This Guide was then followed closely in the execution of the Observations undertaken.

This research lasted eight months. In that period the researcher got to know the owner managers and the key employees in the enterprises very well and observed their activities, behaviour and decision making process on an on going basis. The researcher took detailed notes daily. The researcher observed the on goings in the enterprise and refined and refocused the ideas about the interplay between the owner manager and the growth and the enterprise. After leaving the field, the researcher reread the notes and prepared written reports.

Neumann (2006: p.399) observed that the notes would be divided into direct observation, the inference drawn from it, analytic and personal journal. This research took on this advice and developed notes on the directly observed behaviour and the analytical inferences of the researcher.

Direct observation notes included all details and specifics of what the researcher heard or saw in a field site, and were written to permit multiple interpretations later (Neumann, 2006: p.401). Inference is what is believed by the researcher to have happened. The analytical notes were the abstract ideas, themes or propositions which the researcher developed from the examination of the observation notes.

3.10.3 (d) Covert Observation

Covert observation is when the researcher undertakes observation of the real life on goings in the field setting without the observed participants having explicitly have given their informed consent nor being aware that they are participating in a research (Neumann, 2006: p.135).

Nuemann (2006: p.137) presented two major arguments in support of covert observation:

- a) *“Informed consent is impractical, disruptive of field research and may even create some harm by disturbing the participants or the setting by upsetting the on going flow of activities.*
- b) *Human communication and daily affairs are already filled with covert activity.”*

These arguments put a higher value on doing research than respecting the research participants’ right to privacy and their freedom and autonomy. It places the researcher at a higher pedestal enabling her/him to judge what is good for the research participants without their inputs. In concurrence with this researcher’s argument, Nuemann (2006: 137) observed that covert observation remains controversial, and many researchers feel that all covert research is unethical.

This researcher is in agreement with most other researchers and therefore did not undertake any covert observation. It used informed consent instead.

3.10.3 (e) Document Review

This thesis also used the document review method using the Document Review Guide Annex 4. In this method the researcher requested access to all documents related to the enterprise. The documents requested were: the company registration papers, the company profile, the Income and Expenditure Statements, brochures, leaflets, flyers, press releases and bidding documents. Suffice it to say that in no case was the research given all the requested documents. In all cases he was given the company profile and the marketing promotional documents. In no case was the researcher provided the financial and legal documents of the company. Two of the firms had websites which the researcher was referred to.

The researcher then critically reviewed all the provided documents and the websites to identify the key details and characteristics of the enterprises. Emphasis in this review was on what the company did which facilitated its growth. The major interest was on what the owner manager in particular did which enabled the company to grow. In all cases it was clear that the owner manager played the representational and marketing functions very well. The owner manager was the face and voice of the enterprise in all the documents presented.

3.10.3 (f) Summary of Data Gathering Techniques

A key set of data gathering techniques were used in this research as outlined in the Table below. This research used this variety of data gathering techniques in pursuance of the ‘triangulation’ of data gathering methods. This ensured that a deep and wide variety of data related to the growth of the construction enterprises is collected. The principle and major data gathering method was the Semi Structured Research Questionnaire. This was administered in a face to face interview.

In addition other data gathering techniques were utilized to compliment the Semi Structured Research Questionnaire. These were:

- Follow Up Telephone Discussion,
- Follow Up Face to Face interview with employees from the construction enterprises,
- Observation of the construction sites of the respondent enterprises,
- and analyzing the documents and websites of the respondent enterprises.

These complimentary data gathering methods were meant to fill in some of the data gaps and to provide a deeper insight into the functioning of the respondent enterprises. They enabled the researcher to get closer to the functioning of the respondent enterprises. This closer scrutiny gave the researcher the opportunity to be acquainted with the enterprise at work. This assisted to give meaning to the responses of the respondent. These complimentary data gathering methods were not to pursue different data but to give deeper meaning to the data presented by the respondent.

Table 3.8 Data Gathering Techniques Used

Technique	Respondent One	Respondent Two	Respondent Three	Respondent Four	Respondent Five
Face to Face Semi Structured Interview	✓	✓	✓	-	✓
Follow Up Telephone Discussions	✓	✓	✓	✓	✓
Follow Up Staff Interview	✓	-	✓	-	✓
Observation	✓	✓	✓	✓	✓
Document Analysis	✓	✓	✓	✓	✓

Through the use of the triangulation of data gathering methods a wide variety of data was obtained. This data is presented in the next section.

3.10.3 (g) Weaknesses of the Case study Method

The case study method has however been criticized as not being rigorous enough (Yin, 2009: p.14). The case study researchers have often not followed systematic procedures or have allowed biased views to influence the direction of the findings and the conclusions. The case study method is criticized as not providing a credible basis for generable results. It is also criticized for taking too long and generating a large volume of data.

In conclusion, this researcher undertook the case study method fully aware of its challenges. Yin (2009: p.68) observed that:

“In actuality, the demands of a case study on your intellect, ego, and emotions are far greater than those of any other research method. This is because the data collection procedures are not routinized.”

This research avoided both perceived weaknesses of the case study method through following the procedures as laid out by renowned scholars of this methodology as Yin (2009), Eisenhardt (1989) and Neumann (2006). These procedures are synthesized in the Interview Guide, Observation Guide and the Document Review Guide. These Guides sought to routinize the conduct of the research, thereby countering the main criticism of the Case Study Method.

3.11 The Process of Data Analysis

3.11.1 Definition of the Data Analysis Process

Data analysis is the search for patterns in data – recurrent behaviours, objects, phases, or ideas. It allowed the researcher to move from the description of events and social setting to a more general interpretation of the data Nuemann (2005: p.467). Data analysis is the heart of building theory from case studies (Eisenhardt, 1989: p.539). But there is not much time devoted to a discussion of the procedures for data analysis in the literature. Eisenhardt (1989: p.539) observed published studies give little space to discussion of analysis, a huge chasm often separates data from conclusions.

This research endeavoured to address this weakness by outlining the data analysis steps clearly. Data analysis for this thesis involved examining, sorting, categorizing, evaluating, comparing, synthesizing, and contemplating the coded data and reviewing the raw and recorded data. Denzin and Lincoln (1994: p.429) set out three steps to data analysis, namely data reduction, data display and conclusion drawing and verification. These three steps were followed in the data analysis in this thesis. In concurrence with the approach to data analysis, this thesis followed the data analysis procedures as set out above. The data analysis was undertaken based on advice from Denzin and Lincoln (1994: p.216) who observed that:

“The qualitative researcher uses inductive analysis, which means that categories, themes, and patterns come from the data. The categories that emerge from field notes, documents, and interviews are not imposed prior to data collection. Early on the researcher will develop a system of coding and categorizing the data. There is no one best system for analysis.”

In agreement with the last sentence in the above quote, Leedy and Ormrod (2005: p.150) stated that there is no single right way to analyze data in qualitative research. In fact, not only is there no one right way to analyze qualitative data, the actual process of qualitative data analysis is not very well articulated (Collis and Hussey, 2003: p.252). Data analysis in qualitative research has four major problems, as outlined by Collis and Hussey (2003: p.253), namely:

- i. **Reducing the data:** Phenomenological research generates a lot of data through field notes, documents, and transcripts of interviews. The challenge is how to condense it into manageable information. One solution can be to use codes to summarize the data. This thesis will use the codes to reduce the data into manageable information.
- ii. **Structuring the data:** The manner in which the data is collected may not be suitable for analysis. To address this challenge this thesis will use the theoretical framework developed in the literature review section, then the collected data will then be fitted into the theoretical framework. The framework will give a structure and give a prior specification of the categories into which the data can be fitted. This existing structure will however continue to be tested against the emerging trends from the data collection with a view to enhance and adapt it.
- iii. **Anticipatory data reduction:** This can happen when the researcher has developed a theoretical framework or structure through which some data can be ignored. However anticipatory data reduction is not encouraged in phenomenological research as it restricts a deep understanding of the phenomenon and limits the collection of rich data. In this thesis anticipatory data reduction will not be used.
- iv. **Detextualising the data:** Most data in phenomenological research is collected in the form of extended text. This makes its analysis and presentation to different audiences difficult. To address this challenge in this thesis, the data will be converted into diagrams and illustrations for analysis and presentation purposes.

The data analysis for this research took into cognizance the challenges and utilized the practical solutions proposed for each of them as outlined above. These solutions follow the recommendations provided for each of the challenges by Collis and Hussey (2003: p.253).

Thus the data analysis for this thesis followed the general procedures outlined by Denzin and Lincoln (1994: p.429). Emphasis in the data analysis was on: creating categories, groups, clusters and themes deriving from the data and then identifying the patterns and relationships between them. The overall theoretical framework from the literature review assisted in guiding the data analysis.

3.11.2 Overlapping of Data collection and Analysis

Data analysis began during the data collection process. The data analysis during data collection influenced the subsequent data collected there after particularly through the follow up telephone interviews and the face to face interviews with the company employees. The preliminary conclusions from one case were considered in the context of other cases to identify the extent to which they are generalizable across all cases in the study. This process is supported by Denzin and Lincoln (1994: 229) who observed that:

“The analysis of data begins shortly after the data collection commences and continues during data collection and beyond. The concurrent processes of data collection and analysis allow the analysis to guide data collection in a process of theoretical sampling, so that excess and unnecessary data are not collected. The outcome is that the researcher maintains control rather than “drowning in data”.

In this process the researcher used the *constant comparative analysis* Denzin and Lincoln (1994: p.216). The constant comparative analysis was used when the researcher looked for statements and indices of behaviour that keep recurring. This also allowed for the identification of areas of tension and conflict and those that did not fit in with the rest of the data. The analysis stayed close to the data in the process of deriving meaning from the mountains of data generated.

In support of this Eisenhardt (1989: p.539) observed that, overlapping data analysis with data collection not only gives the researcher a head start on analysis but, more importantly, allows researchers to take advantage of flexible data collection. The mixing of data collection and analysis enabled the researcher to tailor the data collection to the pertinent issues of the research, namely enterprise growth and the role of the owner manager. This allowed the data collection instruments in Anne 1 – 3, to be adjusted to probe the emerging themes (Eisenhardt, 1989: p.539). The question has been raised: ‘Is it legitimate to alter data collection during the research?’

In answer to this question, Eisenhardt (1989: p.539) responded that for theory – building research, the answer is “yes” because investigators are trying to understand each case individually and in as much depth as feasible... if a new data collection opportunity arises or if a new line of thinking emerges during the research, it makes sense to take advantage by altering data collection, if such an alteration is likely to better ground the theory or to provide new theoretical insight.

The freedom to make alterations to the research instruments does not mean that this gave the researcher *the license to be unsystematic* (Eisenhardt, 1989: p.539). This was not a passport to freely change all aspects of the research at every turn. Instead it only gave the researcher controlled opportunism to take advantage of the uniqueness of a specific case and the emergence of new themes to improve the resultant theory Eisenhardt (1989: p.539)

The analysis moved from description to analysis to interpretation. Effort was made to avoid endless description. Balance was struck between description, analysis and interpretation (Denzin and Lincoln, 1994: p.216). The research avoided ‘methodolatry’ which Denzin and Lincoln (1994: p.215) defined as a preoccupation with selecting and defending methods to the exclusion of the actual substance of the story being told. Methodolatry is the slavish attachment and devotion to method that so often overtakes the discourse.

While in quantitative research data analysis and interpretation are two separate steps, in qualitative research the two steps are interwoven and both are often also interlinked with data collection. Reinforcing the differences between qualitative and quantitative data analysis, Neumann (2006: p.457) observed that the qualitative researchers rarely use statistical analysis. Their data analysis can be systematic and logically rigorous, although in a different way from quantitative or statistical analysis.

The data analysis in the case studies in this thesis involved the following steps, as outlined by Leedy and Ormond (2005: p.136) and reinforced by Neumann (2006: p.458).

- a) Organization of details about the case. The facts about the case are arranged in a logical order.
- b) Categorization of data: Categories which can assist to cluster the data into meaningful components are developed for ease of analysis, interpretation and comparison.
- c) Interpretation of Single Instances: Specific events and documents are examined for specific meanings which contribute to the understanding of the case.
- d) Identification of patterns: The data and their interpretations will be scrutinized for underlying themes and other patterns that characterize the case.
- e) Synthesis and generalizations: An overall picture of the case is developed and conclusions are drawn that may have implications beyond the specific case under study.

This thesis’s data analysis was therefore solidly grounded in the formulae and steps outlined by Leedy and Ormond (2005: p.136), Neumann (2006: p.458) Denzin and Lincoln (1994: p.215).

3.11.3 Coding and Concept Formation

Quantitative researchers use ideas, themes or concepts as tools for making generalizations. To achieve the generalizations this researcher organized the data into categories on the basis of the themes and concepts. The relationship between the concepts was then be analyzed. The concepts were then finally be linked into a sequence. In support of this approach to qualitative data analysis, Nuemann (2006: p.460) concluded:

“In qualitative research, ideas and evidence are mutually interdependent. This applies particularly to case study analysis. Cases are not given pre-established empirical units or theoretical categories apart from data; they are defined by data and theory.”

Through an analysis of the data in the case this researcher was able to codify the data. In coding the data the researcher organized raw data into conceptual categories and themes which enabled the creation of themes and concepts. This creation of themes and concepts was an integral part of the data analysis. The themes and concepts were derived from the research question. Neumann (2006: p.460) observed that the creation of themes and concepts) frees a researcher from entanglement in the details of the raw data and encourages higher level thinking. It moves him or her toward theory and generalizations.

Thus the codification of raw data into themes and concepts enabled this researcher to reduce mountains of data into manageable chunks. It is these manageable chunks which enabled the researcher to derive meaning through themes and concepts related to the research questions. Thus this codification was two concurrent activities, namely mechanical data reduction into manageable chunks and the analytical categorization of data Nuemann (2006: p.460). Good thematic coding led to easier analysis, interpretation, and the presentation of data. This research followed the appropriate protocol / procedures to codifying the data.

Neumann (2006: p.461) outlined three steps to coding the data, which this research followed, namely:

- a. **Open coding:** A first coding of qualitative data in which the researcher examines the data to condense them into preliminary analytic categories.
- b. **Axial coding:** A second stage of coding of qualitative data in which a researcher organizes the codes, links them, and discovers key analytic codes.
- c. **Selective coding:** A last stage in coding qualitative data in which a researcher examines previous codes to identify and select data that will support the conceptual coding categories that were developed.

3.11.4 Within Case and Cross Case Analysis

All the tools of analysis outlined above were undertaken within the context of within case and cross case analysis. Within case analysis is when the analytical tools were focused on the phenomenon from one case. Cross case analysis is when the analytical tools target comparisons of phenomenon between two or more cases (Denzin and Lincoln, 1994: p.435)

In within case analysis there will be detailed case study write – ups of the enterprises. These write – ups will be descriptive. But they will lay the basis for the analysis. The write – ups will assist this researcher to become intimately familiar with the specificity of the case. Through the case write ups the emergent themes will be identified before the generalizations of the patterns across the other cases. The write ups will also lay the basis for the cross case comparison.

The description of each case setting will be undertaken at the beginning of the write up. Perry (2001: p.316) advises that:

“Thus description of each case near the beginning of the data analysis part of the report is restricted to less than about half a page per case, with other descriptive material relegated to appendices”.

The researcher considered this advice but chose to have a table outlining the responses from each enterprise to the main conceptual issues related to the main and sub research questions.

Cross case analysis was undertaken as a means for extending external validity by looking at multiple actors in multiple settings. This was seen as further enabling generalizability (Denzin and Lincoln, 1994: p.435). The key themes, relationships and explanations were then tested in all the five cases. Each case was then seen as a replication of the main and sub research questions under study. The five multiple cases assisted in the identification of themes, relationships and explanations.

Three major strategies identified for cross case analysis, namely, replication strategy, finding themes, interactive synthesis Yin (2009: 58) were utilized in this research. Using replication strategy, a conceptual framework deriving from the literature review, was used to analyze the first case study then the successive cases are examined to identify the patterns identified in the first case Yin (2009: p.58). The cases which confirmed the emergent relationships between the owner manager and the enterprise enhanced confidence in the validity of the relationship while those that disconfirm the relationships between the owner manager and the enterprise provided an opportunity to refine and extend the theory Eisenhardt (1989: p.542). The grounded theory approach is based on the same principle followed in the replication strategy in this research. The replication strategy was the major cross case analysis method used in this research.

The cross case analysis was driven by the themes, categories or dimensions. These categories or dimensions were derived from the research problem and existing literature Eisenhardt (1989: p.540). This researcher derived the themes and categories from the research problem and the literature review.

The second cross case analysis strategy was to find the themes that cut across all the cases. The themes became more evident as each case was looked at in turn. This strategy was relied upon in this thesis.

In the final cross case analysis strategy, interactive synthesis, the essential themes were derived through a general condensation from constant referral to the different cases. This strategy was used at the end of the data analysis to derive the conclusions and generate recommendations for this thesis.

Cross cases analysis was mostly undertaken through displays of matrixes/tables of data. This thesis developed matrixes/tables for the categories and themes of data gathered. This allowed this researcher to see what the columns and rows of data presented. The matrix/tables highlighted the missing data, which the researcher then went back into the field to collect.

Another tactic for cross case analysis, which was used in this thesis, was to select pairs of cases and then list the similarities and differences between each pair Eisenhardt (1989: p.540).

This approach forced the researcher to look for the subtle similarities and differences between the cases. The outcome of the forced comparison was the development of new categories and concepts which were not anticipated by the researcher initially. This research utilized this method the above cross case analysis methods above.

The purpose of using all these cross case data analysis methods was to force this researcher to go beyond the simple impressions. These comparisons forced the researcher to go beyond initial impressions and take a more in – depth, structured approach to the data Chetty (1966, p.78). These tactics improved the likelihood of accurate and reliable theory, a theory which is close to the data Eisenhardt (1989: p.541).

The major challenge faced in the cross case analysis was that of reconciling the particular with the universal Denzin and Lincoln (1994: p.435). On the one hand there was a need to understand the uniqueness of each case while on the other hand extracting the general themes and relationships that are at work across the cases. This thesis balanced uniqueness of each case and the generalizable comparisons across all the cases with emphasis on the latter.

3.11.5 Data Management

A related issue to data analysis was data management. Qualitative research in general and this research in particular generated a lot of data. Denzin and Lincoln (1994: p. 430) observed that the ‘quality’ of qualitative data aside, the quantity can be daunting, if not overwhelming.

To confront the ‘daunting’ or ‘overwhelming’ nature of the research data it was necessary for this researcher to have a reasonably coherent system in place for collecting information from a range of informants, across a potential range of sites, in roughly comparable format Denzin and Lincoln, (1994: p. 430). This coherent system ensured that the researcher did not find himself in a *data management limbo* (Denzin and Lincoln, 1994: p.430).

This research therefore developed a good data storage and retrieval system. The system ensured that data could be tracked easily and available for use as and when it was need. This system relied on a clear indexing system showing where the raw data was gathered from.

3.11.6 Reaching Closure

It was important at some stage to reach the point of closure. This was the point at which this researcher stopped iterating between the data and the analysis. The point of closure was arrived at in November 2010, when theoretical saturation was reached. Eisenhardt (1989: p.545) defined the theoretical saturation point as the point at which incremental learning is minimal because the researchers are observing phenomena seen before.

The theoretical saturation point was also driven by pragmatic considerations namely, time and money. This researcher was working against time and financial constraints which assisted in reaching the point of closure.

3.11.7 Building Theory from Case Study

This research followed the roadmap for building theories from case study research as laid out by Eisenhardt (1989: p.532). Table 3.10 below outlines the roadmap.

Table 3.9 Process of Building Theory from Case Study

STEP	ACTIVITY	REASON
Getting started	Definition of research question; Possibly a priori constructs	Focuses efforts; provides better grounding of construct measures
Selecting cases	Neither theory nor proposition; Theoretical not random sampling	Retains theoretical flexibility; Constrains extraneous variation and sharpens external validity; focuses efforts on theoretically useful cases
Crafting instruments and protocols	Multiple data collection methods; Qualitative and quantitative data combined; multiple investigators	Strengthens grounding of theory by triangulation of evidence; synergistic view of evidence
Entering the field	Overlap data collection and analysis including field notes; flexible and opportunistic data collection methods	Speeds analyses and reveals helpful adjustments to data collection; allows investigators to take advantage of emergent themes and unique case features
Analyzing data	Within case analysis; Cross case pattern search using divergent techniques	Gains familiarity with data and preliminary theory generation; forces investigators to look beyond initial impressions and see evidence through multiple lenses
Shaping propositions	Iterative tabulation of evidence for each construct; replication, not sampling logic across cases; search for 'why' behind relationships	Sharpens construct definition, validity, and measurability; confirms extends, and sharpens theory; builds internal validity
Enfolding literature	Comparison with conflicting literature; comparison with similar literature	Builds internal validity, raises theoretical level, and sharpens construct definitions; sharpens generalizability; improves construct definition, and raises theoretical level
Reaching closure	Theoretical saturation where possible	Ends process when marginal improvement becomes small

Sources: Eisenhardt, K. (1989: p.533)

The case analysis in this research followed the procedure laid out above.

3.12 Objectivity, Reliability and Validity

3.12.1 Objectivity

This researcher strived for objectivity in this research. He endeavoured to be influenced as little as possible by his perceptions, impressions, and biases. Nonetheless, qualitative research is often seen as tainted by researcher subjectivity and measurement bias by the quantitative researchers (Hirschman, 1986: p. 239). Most qualitative researchers believe that there isn't necessarily a single, ultimate truth to be discovered. Instead there are multiple perspectives held by different individuals each with equal validity to the truth. The goal of qualitative research is therefore to discover these multiple perspectives (Hirschman, 1986: p. 239). Through objectivity this researcher will aim to maximize his chances of discovering a valid perspective on the issue of enterprise growth and the contribution of the owner manager.

3.12.2 Validity

In qualitative research validity refers to truthfulness. It refers to how well an idea fits with actual reality. Qualitative researchers pursue authenticity rather than an absolute truth. Nuemann (2006: p.196) defines authenticity as giving a fair, honest, and balanced account of social life from the viewpoint of someone who lives it.

Internal validity refers to the absence of the errors in the design of the research. While it is a concept from quantitative research it still has relevance in qualitative research, which is why guidelines, procedures and protocols have been developed to assist in the execution of qualitative research. This research has outlined the guidelines which it will follow in the text and in Annexes 1 – 5. This is to ensure that there is internal validity.

External validity refers to the ability to generalize the findings from a small group to a range of people (Perry, 2001: p. 319). This measure is generally seen as more relevant to quantitative than to qualitative research. In support of this, Denzin and Lincoln (1994: p.217) asserted that the traditional view of generalizability limits the ability of the researcher to reconceptualize the role of social science in education and social science. ...

In qualitative research, two of the major tools to ensure validity are the use of member checks and audit trails (Denzin and Lincoln, 1994: p.216). Member check is when the researcher has an outsider, albeit with experience in qualitative research and knowledge of the subject matter, to read the field notes and interview scripts and then the data analysis and findings. This enables the outsider to check if the explanation fits the description, if the explanation is credible Hirschman (1986: p. 246).

This thesis used the member check method. The Supervisor played the role of the member check. He reviewed this research at every stage to ensure that the population definition, sample selection, data collection, data analysis and conclusions all flow from each other and are credible.

The audit trail is when there is careful documentation of the conceptual development of the project which leaves an adequate amount of evidence which interested parties can reconstruct the process with to reach the research's conclusion (Hirschman, 1986: p.246). The audit trail has six types of documentation: raw data, data reduction, and analysis products, data reconstruction and synthesis products, process notes, materials relating to intentions and dispositions, and instrument development information Denzin and Lincoln (1994: p.230).

This research ensured that there is a careful documentation of all the steps in the development of this thesis which can allow for reconstruction. An adequate amount of evidence was provided for all the steps. This will allow for an audit trail by interested parties. The use of the member check and the audit trail will enhance the validity of this thesis.

3.12.3 Reliability

Reliability refers dependability and consistency. This means that the same study procedures on a particular phenomena can be repeated in the same conditions and produce the same results (Neumann, 2006: p. 188)

Qualitative researchers want to be consistent in how they observe phenomena over time. The challenge is that the phenomena they will be observing are not stable over time. They emphasize the changing nature of the relationship between the researcher and the phenomena being studied. Because of this importance of the nature and role of change in the qualitative approach, qualitative researchers reject the concept of replicability as it is used in the quantitative approach. They accept that the use of different methods to analyze the same phenomena can lead to different results. They welcome this diversity of perspective as giving a richer view of what is a complex reality in the social world. In support of this, Denzin and Lincoln (1994: p. 217) asserted that:

“the value of case study is its uniqueness; consequently, reliability in the traditional sense of replicability is pointless here.”

The validity and reliability issues as discussed above were succinctly summarized by Yin (2009: p. 41) as outlined in the Table below.

Table 3.10 Validity and Reliability

TESTS	Case Study Tactic	Phase of research in which tactic occurs
Construct Validity	Use multiple sources of evidence Establish chain of evidence Have key informants review draft case study report	Data collection Data collection Composition
Internal Validity	Do pattern matching Do explanation building Address rival explanations Use logic models	Data analysis Data analysis Data analysis Data analysis
External validity	Use theory in single case studies Use replication in multiple case studies	Research design Research design
Reliability	Use case study protocol Develop case study	Data collection Data collection

Source: Yin (2009:41)

This thesis utilized the case study tactics as outlined in column two of Table 3.11 above to enhance the validity and reliability of the thesis.

3.13 Qualitative Research Report Writing

Leedy and Ormrod (2005: p.136) recommend the following components to compile a case study report:

- Rationale for study the case:
- Detailed description of the facts related to the case
- Description of the data you collected
- Discussion of the patterns you found
- Connection to the larger scheme of things

This research adopted this recommendation by Leedy and Ormrod (2005: p.136) with some modifications as presented in Chapter 4. This research used quotations to illustrate the interpretations of the data, rather than descriptive text alone Denzin and Lincoln (1994: p. 232).

3.14 Research Limitations

Like any research this research encountered some limitations. These are described below:

3.14.1 Researcher Limitations

Given that the phenomenological paradigm in general and this research in particular was based on the competencies and capacities of the main researcher, this limited the research to the extent of the competence of the researcher. The researcher has a lengthy history of knowledge and work experience in the area of small business development. This knowledge and experience enhanced the research but it also influenced the direction of the research.

3.14.2 World Cup Fever

South Africa successfully hosted the FIFA Soccer World Cup 2010. The massive infrastructure development ahead of the tournament had the general impact of lifting the economy in general and the construction industry in particular. This resulted in a very positive sentiment within the country, the economy and the construction industry. This research was conducted in an atmosphere of very high positive sentiment, and nationalistic fervor. This clearly also affected the mood and perceptions of the owners and managers of the construction enterprises. Additionally, the air of excitement generated by the world cup, especially as the South African football team performed well also positively impacted on the mood of the owners and managers of small enterprises. The impact of the world cup and in particular the performance of the South African football team had a limitation on the conduct of the research.

3.14.3 Difficulties of Gender and Race

The research met specific challenges regarding participation of women owner managers and white owner managers. Only two women (black) were encountered in the sampling process and they both refused to participate in the research, citing time pressures. They enquired about the nature of the research and requested the research questionnaire be sent to them. The researcher duly complied and sent questionnaires in both instances. On following up after sending the research questionnaire both expressed unwillingness to participate citing time pressures. The researcher is convinced that the two women managers refused because it was the nature and content of the issues raised which did not sit well with the two owner managers.

This research also encountered the reality of race and racism during the field work. All the white firms in the samples refused to be interviewed without giving a clear reason. The majority were dismissive of the researcher's request for them to take part in the research citing lack of time to partake in "none value adding activities". Attempts were made to explain and justify the rationale and value addition of the research to the participating enterprises in particular and the industry without success.

Another white owner manager refused to take part in the research citing "security" concerns without explaining the nature of the security concerns. He also would accept assurances that this was research for the academic purposes only.

3.15 Ethical Issues in This Research

3.15.1 Definition of Ethical Issues in Research

Nuemann (2006: p.129) defined ethical issues as concerns, dilemmas and conflicts that arise over the proper way to conduct research. Ethics define what is legitimate and what is not legitimate to do, or what 'moral' research procedure involves. Although there are few fixed rules. There are agreed principles.

The dilemmas of ethics in this research involved striking a balance between the pursuit of scientific knowledge and the rights of the owner managers and the employees being studied Cooper and Chandler (1998: p.16). The pursuit of scientific knowledge on enterprise growth and the role of the owner manager will lead to the advancement of the understanding of entrepreneurship and enterprise growth. The potential costs of research were loss of dignity, self esteem, privacy, or democratic freedoms by the research participants. The benefits of this research had to be balanced against the potential costs suffered by the research participants. Nuemann (2006: p. 130) observed that ethical research takes longer to complete, costs more money, is more complicated. And this research certainly faced these costs.

The ethical considerations in this research were carried by this individual researcher. He had to guard against unethical behaviour based on his ethical integrity as a person. Before, during and after the research the researcher reflected on the research process and actions using his conscience. As a result, the research certainly did take longer due to the ethical considerations – respect for the rights, dignity, and esteem of the research participants.

3.15.2 Scientific Misconduct, Research Fraud and Plagiarism

The major types of unethical behaviour are **scientific misconduct, research fraud and plagiarism** Nuemann (2006: p. 130). **Scientific misconduct** is when a researcher falsifies or distorts the data or the methods of data collection or plagiarizes the work of others Nuemann (2006: p. 130). **Research fraud** is when a researcher fakes or invents data that was not really collected, or falsely reports how the research was conducted Nuemann, 2006: p. 130). This researcher did not undertake in research fraud. **Plagiarism** is when a researcher steals the ideas or writings of another or uses them without citing the source. This researcher will not engage in plagiarism.

Like most universities UNISA SBL has policies and procedures to detect misconduct, report it and penalize researchers who engage in misconduct. This is captured in the:

- a) **Doctorate of Business Leadership Degree Rules and Procedures**
- b) **Master's and Doctoral Degrees General Information**

c) **The Master's Dissertation and Doctoral Thesis: A Guide to Research and the Organization of Material**

This research met all of the standards for ethical conduct as laid out in these UNISA SBL guidelines.

Neumann (2006: p.131- 136) outlines the following 'minimal standards', 'rules' or code of ethics:

- i. *“Never cause unnecessary stress or irreversible harm to subjects;*
- ii. *secure prior voluntary consent (preferably written), people should never participate in research unless they explicitly and freely agree to participate, it is not enough to get permission from people, they need to know what they are being asked to participate in so that they can make an informed decision. This is called informed consent. The general rule is: The greater the risk of potential harm to subjects, the greater the need for a written consent.*
- iii. *never unnecessarily humiliate, degrade, or release harmful information about specific individuals that was collected for research purposes.”*

This research respected and observed the above standards of ethical research.

This research agrees with Denzin and Lincoln (1994: p.90) that a professional code of ethics is beneficial as a guideline that alerts researchers to the practical dimensions of their work, particularly prior to entry.

3.15.3 Informed Consent

One of the most important elements of ethical research is the concept of informed consent (Collis and Hussey, 2003: p.38), (Cooper and Chindler, 1998: p.110). Denzin and Lincoln (1994: p.90) defined informed consent as the subjects of research have the right to be informed that they are being researched and also about the nature of the research.

Neumann (2006: p.136) outlined the following guidelines for Informed Consent Statement:

- a) *“A brief description of the purpose and procedure of the research, including the expected duration,*
- b) *A statement of any risks of discomfort associated with participation,*
- c) *A guarantee of anonymity and the confidentiality of the records,*
- d) *The identification of the researcher and where to receive information about the subjects' rights and questions about the study,*
- e) *A statement that participation is completely voluntary and can be terminated at any time without penalty,*

- f) *A statement of alternative procedures that may be used,*
- g) *A statement of any benefits or compensation provided to subjects and the number of subjects involved,*
- h) *An offer to provide a summary of findings.”*

The Informed Consent Statement for this research has been developed observing these guidelines. Refer to Annex 6. All the owner managers of the five case studies signed this Informed Consent Statement.

3.15.4 Deception

Deception is when the respondents are told only part of the truth or complete lies Cooper and Chindler (1998: p.109). Deception is the opposite of professional codes of ethics and informed consent as outlined above Denzin and Lincoln (1994: p.91). Deception is often undertaken in order not to bias the respondents through full disclosure as required in the professional code of ethics or to protect the confidentiality of a third party Cooper and Chindler (1998: p.109).

The benefits of deception have to be balanced against the risks. Based on this balancing of the benefits and the risks two schools of thought emerge: deception is unacceptable versus some measure of deception is acceptable. The school of thought that deception is unacceptable rests its argument on the premise that the respondents' rights and well being must be adequately protected Cooper and Chindler (1998: p.109).

On the other hand, the school of thought that accepts some measure of deception argues the end of scholarly benefit justifies the means. This is exemplified by Denzin and Lincoln (1994: p.91) who assert that:

“Perhaps some measure of deception is acceptable in some areas where the benefits of knowledge outweigh the harms that have been minimized by following convention on confidentiality and identity. One need not always be brutally honest, direct, and explicit about one’s research purpose.”

This research is completely against this line of reasoning and the advice given by the two authors. In a choice between abiding by the professional code of ethics and informed consent on the one hand and deception on the other hand, this research takes the route of the latter. This research will be guided by the professional code of ethics and informed consent which say that deception is unacceptable under any circumstance.

3.15.5 Respect for the Right to Privacy

In any democratic state, such as South Africa is, every person has the right to privacy. Researchers are honour bound to respect that right. Field researchers invade the research participant's life by probing into the person's beliefs, background and behaviour Denzin and Lincoln (1994: p.92). Through this, the researcher violates the privacy of the research

participant. However Neumann (2006: p.139) observed the ethical researcher violates privacy only to the minimum degree necessary and only for legitimate research purposes. In addition, he or she protects the information on research participants from public disclosure.

Only through guaranteeing the confidentiality of the responses of the respondents could the invasion of the individual respondent's privacy be acceptable. The confidentiality pledge ensured that most people would answer the questions in the research honestly. The respondents had to be convinced that the guarantee of confidentiality would be given and respected. The information from the respondents was only used for the research and not for any other purposes. The researcher used codes in as shown in section 4.2.1 below to protect the identity of the respondents Cooper and Chindler (1998: p.113) such as respondent One and Enterprise One. The right to privacy meant that the respondent could refuse to be interviewed or to answer any questions at any stage during the research. This thesis respected the privacy of all the respondents as laid out in The Privacy, Anonymity and Confidentiality Pledge, Annex 5.

3.15.6 Ensuring the Anonymity of Respondents

Anonymity means that people remain anonymous or nameless Neumann (2006: p.139). Even as the details of the case are given, the business owner manager's identity was protected and the individual remains unknown to the readers of the case. This thesis will maintain the anonymity of all the respondents as laid out in The Privacy, Anonymity and Confidentiality Pledge, Annex 5.

3.15.7 Ensuring Confidentiality

This means that the researcher holds the information about the participant in confidence and keeps it away from the public Neumann (2006: 139). If the information is released it will be done in such a way that it will not be possible for the public to figure out the person.

In giving respect to the guidelines outlined above about undertaking ethical research, the research 'subjects' were increasingly seen as partners in the research process. Denzin and Lincoln (1994: p.89) observed that to dupe them in any way would be to undermine the very processes one wants to examine. Rather, they are seen as 'respondents, participants, stakeholders' in a constructivist paradigm that is based on avoidance of harm, fully informed consent, and the need for privacy and confidentiality.

This thesis respected the confidentiality of all the respondents as laid out in The Privacy, Anonymity and Confidentiality Pledge, Annex 5. The researcher provided a signed Pledge to each of the respondents.

3.16 Chapter Summary

This research endeavoured to follow the dictates of "good research". This means that the methodology of this research followed the laid out tenets of how research should be done. It followed the inductive research path where the theory was to be driven by the data. It used the

phenomenological rather than the positivist approach where the actual circumstances of the owner managers of the small and medium enterprises were analyzed. The case study method was the principal approach. The research used the triangulation of method, observers, and data source to enhance validity, objectivity and credibility.

This research followed the sectoral approach. It chose to focus on the construction sector. This meant that all the small enterprises selected for research were from one Sector to facilitate easier analysis and comparison. The accepted standards in the field of value chain development were used to select the construction sector as the ideal sector for this research.

The data gathering was undertaken through: In-depth Semi - Structured Interviews, Observation, Focus Group and Document review. In the use of these data collection tools the emphasis was on following the protocols and procedures laid out by various scholars to overcome some of the perceived weaknesses of the phenomenological approach as a research paradigm.

The data analysis followed laid down procedures to ensure that the theory generated closely followed the data. To this end the data collection and the analysis were undertaken concurrently. There was an overlap between the two, consistent with the phenomenological paradigm. Finally the whole research was based on a strong ethical foundation. To this end there was an **Informed Consent Statement** that all the respondents signed. **The Privacy, Anonymity and Confidentiality Pledge**, was signed by the researcher, provided to all the respondents and respected through all stages of the research.

CHAPTER FOUR

DRIVERS OF CONSTRUCTION ENTERPRISE GROWTH: *PRESENTATION OF EMPIRICAL FINDINGS*

4.1 Introduction

Building on the methodology presented in the previous chapter, this chapter outlines the data which the research found in the field. It presents the data which the research acquired from the interviewees in response to the research questions as presented in the data gathering tools, namely: the face to face interviews based on the Research Questionnaire, the telephonic follow up interviews, the follow up face to face interviews with some of the employees, the observation and the document analysis.

This chapter synthesizes the large volume of data gathered into coherent information grouped and categorized according to the thematic sections of relevance to the research problem and questions as outlined in sections 3.11.2, 3.11.3 and 3.11.4 above. This chapter also synthesizes and analyzes the data obtained during the research process. It will present and analyze the data according to sections and categories as obtained from the literature review and according to the Research Questionnaire. The chapter reviews and analyzes the data according to the following thematic areas: marketing strategy, structure of the business, nature and type of communication, culture of the firm, business and family, management of the books, profile of workers, role of Information Technology, and owner's management style, role of government, the professional, technical and academic background of the owner manager, race, gender, and the reason for getting into business.

4.2 Presentation of Findings

Building on the sampling and data collection outlined above, this section will outline what data the research found in the field. It presents what data the research got from the interviewees in response to the research questions as presented in the data gathering process, namely: the face to face interviews based on the Research Questionnaire, the telephonic follow up interviews, the follow up face to face interviews with some of the employees, the observation and document analysis.

This section will give a profile of each of the respondents and their enterprises in turn. The data will be presented through a composite table with the overview of the general findings per respondent. The data presented in the composite is based on the thematic areas as developed from the Literature Review. The thematic areas were the basis on which the data gathering tools were structured.

4.2.1 Profile of Respondent One and Enterprise One

Introduction

Respondent One is a black male. He was married but his wife passed away before he had the company. He has recently married again. He is the owner and manager of Enterprise One. He started the enterprise because he wanted to supplement his salary income given that his wife had passed away. He wanted to ensure that he had an additional source of income for the well-being of his children. He especially wanted to ensure that he had additional income to cover the education costs of his children. Having met that goal he continues to grow the business.

He is a full time employee of MEDUNSA as an Administrator. He is based at the MEDUNSA campus, Ga - Rankuwa, Pretoria North. The need to maintain dual sources of income also made Respondent One maintain his regular job as an Administrator at the MEDUNSA. As the income from the business has increased Respondent One has not felt inclined to leave his regular job because he is close (4 years) to the retirement age and looks forward receiving his pension benefit.

It is significant to state that Respondent One employs one of his sons in the business as an administrator.

Table 4.1 Profile of Respondent One and Enterprise One

Area of Study	Responses
a) Sex	Male
b) Age	56
c) Education	Diploma
d) Marital Status	Married
e) Business started	1991
f) Employees (then v now)	15 to 120 they have moved from being purely manual workers to a wider diversity with manual workers, artisans and engineers
g) Monthly Income (then v now)	R20 000 R 800 000
h) Average Monthly costs (then v now)	R 25 000 to R 650 000 Materials and wages are the major costs of the business
i) Clients	Private enterprises and individuals at beginning now mainly government
j) Advertising (then v now)	Minimal, mainly through word of mouth
k) Accounting	Moved from in-house to independent accounting firm, in-house book keeping, monthly reconciliation by independent account
l) IT systems	Microsoft Office packages for basic bookkeeping and writing

m) Business registration	Formally registered from the beginning
n) Organizational Structure	Moved from flat structure to taller and hierarchical over time
o) Owner Manager role	Not involved with on site operations but maintain control over purchases, contracts and finances
p) Middle Management	Play critical role in site supervision
q) Source of Funds	Borrowed from friends at beginning now business self finances, material purchases by clients
r) Nature of Communication	At least ten telephone discussions with site manager, middle manager and office per day, weekly site planning and progress review meeting
s) Culture of Enterprise	Mainly informal culture
t) Major Investments	Tippers, excavators, TLUs, rollers, trucks, graders
u) Major drivers of growth	Industry knowledge of owner manager, access to government projects through public tenders, quality and effective accounting system, skill of the staff
v) Major inhibitors of growth	Continued full time work has been constraint on business growth.

4.2.2 Profile of Respondent Two and Enterprise Two

Introduction

Respondent Two is a black male. He started the enterprise as an alternative source of income after being retrenched from his formal job. He used his retrenchment lump sum payment to start the company and works fulltime as the manager of the company. He is married. His wife works in the company as the Safety and Health Officer. She also does the company's bookkeeping, payments and basic financial controls. She has a Diploma in Accounting. She is also involved in all the key decisions about the company. Enterprise Two has experienced significant growth since its formation.

Table 4.2: Overview of Respondent Two and Enterprise Two

Area of Study	Responses
a) Sex	Male
b) Age	46
c) Education	Diploma
d) Marital Status	Married
e) Business started	1998
f) Employees (then v now)	12 to 130 they have moved from being purely manual workers to a wider diversity with manual workers, artisans and engineers

g) Monthly Income (then v now)	R 35 000 R 1 000 000
h) Average Monthly costs (then v now)	R 30 000 to R 800 000 Materials and wages are the major costs of the business
i) Clients	Individuals and government at the beginning now 85% sub contract work 15 % individuals and government
j) Advertising (then v now)	Minimal, mainly through word of mouth but also through flyers and brochures
k) Accounting	Independent Accounting firm with in-house book keeping, monthly reconciliation by independent account
l) IT systems	For tenders, marketing, material costs, specialized software for project monitoring, accounting
m) Business registration	Formally registered from beginning
n) Organizational Structure	Become taller and hierarchical over time
o) Owner Manager role	Less involved in day to day operations, more strategic function
p) Middle Management	Established over time to undertake day to day functions
q) Source of Funds	Limited credit from banks, materials provided by main contractor, government takes too long to pay
r) Nature of Communication	Heavy reliance on mobile phones, regular weekly meetings, site progress meetings
s) Culture of Enterprise	Has become more formalized with growth
t) Major Investments	Tippers, excavators, TLUs, rollers, trucks, graders
u) Major drivers of growth	Involvement and leadership of owner manager, skill of the staff, effective communication, handling and proper use of finances
v) Major inhibitors of growth	Too much corruption in the industry, projects not unbundled and too big for most contractors

4.2.3 Profile of Respondent Three and Enterprise Three

Introduction

Respondent Three is a single black male. He is the owner manager of the enterprise. The business is based in Pretoria North and has had a period of growth, then decline and now its back on the growth path. He started the enterprise because he has a passion for property development and construction and a desire to run his own business. He started the business with a white partner. They each had 50 % shares in the company. The other partner's contribution was largely his capital injection. But eventually the partner left to take up a stake in another construction enterprise. He was largely a venture capitalist who enjoyed investing in green field projects. Respondent Three does not employ any relative in the business.

Table 4.3: Overview of Respondent Three and Enterprise Three

Area of Study	Responses
a) Sex	Male
b) Age	36
c) Education	Diploma in Information Technology
d) Marital Status	Single
e) Business started	August 2005
f) Employees (then v now)	17 to 31 they have moved from being purely manual workers to a wider diversity with manual workers, artisans and engineers. The Personal Assistant has remained with firm and taken on more administrative functions while the Marketing Agents were retrenched.
g) Monthly Income (then v now)	R 30 000 R 1 500 000
h) Average Monthly costs (then v now)	R 30 000 to R 1 250 000 Materials and wages are the major costs of the business
i) Clients	middle class private home builders largely affected by the impact of the GFEC and the National Credit Act. Government infrastructure investment programme.
j) Advertising	.Minimal, mainly through word of mouth but now mainly through the website
k) Accounting	Independent Accounting firm with in-house book keeping, monthly reconciliation by independent account
l) IT systems	Microsoft Office packages for basic bookkeeping and writing and specialized software for project monitoring
m) Business registration	Formally registered from beginning
n) Organizational Structure	Mainly a flat structure
o) Owner Manager role	Very involved in day to day operations while retaining the strategic function as well
p) Middle Management	Play critical role in site supervision
q) Source of Funds	Borrowed from parents at the beginning now business self finances, while clients provide the building materials.
r) Nature of Communication	Heavy reliance on mobile phone calls with clients, staff and suppliers plus site formal progress review meetings.
s) Culture of Enterprise	A mixture of informal and formal cultures
t) Major Investments	Tippers, excavators, TLUs, rollers, trucks, graders
u) Major drivers of growth	Involvement and leadership of owner manager, skill of the staff, effective communication, handling and proper use of finances
v) Major inhibitors of growth	Too much corruption in accessing government tenders, impact of the Global Financial and Economic Crisis

4.2.4 Profile of Respondent Four and Enterprise Four

Introduction

Respondent Four is a white male. He started the enterprise because of the desire to run his own business after having worked for a large construction firm. He keeps a clear divide between his business and the family. Enterprise Four is a professionally run company that has been in operation for over twenty years and has experience significant growth. . It has been largely dependent on access to public tenders. However, gradually this access is declining because of lack of compliance with the BEE requirements.

Table 4.4: Overview of Respondent Four and Enterprise Four

Area of Study	Responses
a) Sex	Male
b) Age	54
c) Education	Diploma
d) Marital Status	Married
e) Business started	Pre 1994
f) Employees (then v now)	15 versus 120 they have moved from being purely manual workers to a wider diversity with manual workers, artisans and engineers
g) Monthly Income (then v now)	-
h) Average Monthly costs (then v now)	Materials and wages are the major costs of the business but the business is unwilling to provide actual figures
i) Clients	Big construction firms and government. It has been largely dependent on access to public tenders. However, gradually this access is declining because of lack of compliance with the BEE requirements.
j) Advertising (then v now)	Minimal, mainly through word of mouth
k) Accounting	Independent Accounting firm with in-house book keeping, monthly reconciliation by independent account
l) IT systems	Microsoft Office packages for basic bookkeeping and writing and specialized software for project monitoring
m) Business registration	Formally registered from beginning
n) Organizational Structure	Mainly a flat structure
o) Owner Manager role	Very involved in day to day operations while retaining the strategic function as well
p) Middle Management	Play critical role in site supervision
q) Source of Funds	Started the business with own funds but now the business self finances and has an overdraft facility with a bank.

r) Nature of Communication	Heavy reliance on mobile phone calls with clients, staff and suppliers plus site formal progress review meetings.
s) Culture of Enterprise	Very formal culture
t) Major Investments	Tipplers, excavators, TLUs, rollers, trucks, graders
u) Major drivers of growth	Industry knowledge of owner manager, education of owner and all staff, effective communication, handling and proper use of finances
v) Major inhibitors of growth	Too much corruption in accessing government tenders, ineffective regulations of the industry by government

4.2.5 Profile of Respondent Five and Enterprise Five

Introduction

Respondent Five is a black male. The founding owner manager has since passed on. The founding owner manager had vast experience in the construction and roads industry in excess of 40yrs. The founding owner manager passed on his passion for the construction and roads industry and the overall business to his children over the years. In 1998, his son became actively involved in the company and took over from his father and is currently the M.D. Under his leadership the firm has continued to experience steady growth. In 2005, another son joined the company and is currently the Contracts/Project manager. In 2007, the sister also joined her brothers in the business and is currently the Accounts Manager and in 2010, the other sister also joined the business and is currently the Risk, Health and Safety Manager. All the siblings had professional qualifications in their areas of expertise except the Risk, Health and Safety Manager. She is currently studying for a diploma course in Occupational Health and Safety. The company head office is based in Johannesburg.

Table 4.5: Overview of the Respondent Five and Enterprise Five

Area of Study	Responses
a) Sex	Male
b) Age	36
c) Education	Degree
d) Marital Status	Married
e) Business started	1994
f) Employees (then v now)	10 versus 140 they have moved from being purely manual workers to a wider diversity with manual workers, artisans and engineers
g) Monthly Income (then v now)	-
h) Average Monthly costs (then v now)	Materials and wages are the major costs of the business but the business is unwilling to provide actual figures

i) Clients	Government particularly in the World Cup related infrastructure development. The company is looking to expand its operations into other avenues of the civil and construction industry.
j) Advertising (then v now)	Minimal, mainly through word of mouth
k) Accounting	Independent Accounting firm with in-house book keeping, monthly reconciliation by independent account
l) IT systems	Microsoft Office packages for basic bookkeeping and writing and specialized software for project monitoring
m) Business registration	Formally registered from beginning
n) Organizational Structure	Become taller and hierarchical over time
o) Owner Manager role	Very limited role in day to day operations but very involved in the strategic direction of the company
p) Middle Management	Play a very active role in day to day operations and make significant inputs in the strategic direction
q) Source of Funds	Started the business with own funds but now the business self finances and has an overdraft facility with a bank.
r) Nature of Communication	Heavy reliance on mobile phone calls with clients, staff and suppliers plus site formal progress review meetings.
s) Culture of Enterprise	Mainly formal culture
t) Major Investments	Tippers, excavators, TLUs, rollers, trucks, graders
u) Major drivers of growth	Involvement and leadership of owner manager, access to government projects through public tenders, skill of the staff
v) Major inhibitors of growth	Lack of access to big enough contracts.

4.3 Analysis of the Findings

This section will synthesize the large volume of data gathered into coherent information grouped and categorized according to the thematic issues of relevance to the research problem and questions.

4.3.4 The Reason for Getting into Business

Based on the data presented by the Respondents as summarized in the introductions to sections 4.2.1 (a), (b), (c), (d) and (e) the reasons why the Respondents got into business in the first place will be analyzed in this section.

Literature on small business growth (Mead and Lindelholm, 1992) has often referred to the reason for getting into business as a key distinguishing feature of those owner managers who grow their businesses compared to those who run survival businesses. This research did not find

that these owner managers who grew their businesses necessarily had any distinctive reasons for starting their businesses. In the main they seem to have been forced by circumstances to start the businesses. Respondent Two (10 October 2010, interview) gave his reason for starting his business as,

“I had been retrenched. I needed a means of survival.”

Respondent One (23 September 2010, interview) gave his reason for starting as,

“I wanted to compliment the household income after the death of my wife. I wanted to ensure that I had an additional source of income for the well being of my children. I especially wanted to ensure that I had additional income to cover the education costs of his children.”

In contrast to the other respondents’ reasons for starting their businesses, Respondent Three (10 September 2010, interview) stated that he started the business because,

“I had always wanted to be an entrepreneur because I grew up in a family of entrepreneurs as my father and mother both ran their own businesses.”

Only in this case does the reason for going into business - driven by entrepreneurial spirit, support the small business growth literature as outlined by Mead and Lindelholm (1992).

This shows that indeed the reason for going into business (driven by the entrepreneurial spirit) can be used as proxy for selecting those firms that are most likely to grow. However this only explains part of the story of those the owner managers who grow their businesses. This research found that the majority of those that grow in fact started their businesses forced by economic circumstances (retrenchment, the need for more income) rather than by their free will. This research therefore partly confirms but also extends the existing knowledge of which owner managers are best placed to grow their businesses.

4.3.5 The Marketing Strategy

A key determinant of growth in this research was the marketing strategy chosen by the owner manager. The marketing strategies of the enterprises were discussed in the context of the markets and marketing communication of each enterprise as summarized in Tables 4.1 (i and j), 4.2 (i and j), 4.3 (i and j), 4.4 (i and j), and 4.5(i and j). In all cases the respondents chose a niche marketing strategy - where they focused on one particular segment of the construction industry. They did not seek to serve many different segments. They carefully selected one segment based on their competitive advantage. They then focused on providing quality service to the customers in that selected market segment.

The respondents served the following market segments:

- Municipal feeder roads,
- Middle income housing

- High Income housing
- Municipal buildings
- Sub-contracting from big construction firms on large construction sites.

The growth of the firms in this research was clearly driven by the marketing strategies that they chose. They developed deep, sustained and very close relationships with their clients in each of the market segments chosen. This resulted in guaranteed sources of business over a long period of time.

The case of Respondent Three in explaining Table 4.3 (i and j) was interesting in how the company responded to the down turn in business as a result of the GFEC. This is outlined and analyzed below.

The focus of the company is affordable housing financed by the commercial banks through mortgage finance. The focus is on the housing estate development market especially in the Pretoria North West park area. The company focuses on houses in the range of R150 000 - R 800 000. The clients are now expected to contribute 10 – 25 % of the total mortgage price. The firm sells “off plan” houses – yet to be built houses which are still at the plan stage.

Respondent Three in explaining Table 4.3 (i) stated that the company was “hit very hard” by the impact of the GFEC. The GFEC resulted in many company closures. Those that did not close had often to down size considerably. The effect of the company closures and the downsizing was that they retrenched many of their employees. It is estimated that about one million working people lost their jobs due to the GFEC (STATSSA, LFS Q2, 2010). The GFEC destroyed the earning capacity of a large section of the market through retrenchments. The net effect was that the customer base of Enterprise Three declined. This resulted in a steep decline in the sales and revenue of the enterprise.

The National Credit Act also impacted negatively on the market in terms of affordability. In the past Banks used to pay 100% of the bond. But after the National Credit Act the clients now have to pay at least 10% deposit on loans above R400 000.

To illustrate the impact of the National Credit Act, in the one case a client applied for a housing loan of R782 000 which was approved by the bank. But for it to be released the bank will only provide R 605 000 with the balance of R 177 000 having to be provided up front by the client as deposit before the R605 000 can be released by the bank. The client is able to pay for the loan repayments per month but cannot afford the deposit of R177 000. As a result the client could not take up the loan. As a result the firm could not build the house for the client. This case is illustrative of how the firm has lost clients due to the National Credit Act.

The banks are stuck with a lot of repossessed houses from clients who cannot pay their mortgage repayments. The banks are therefore limiting their risks by not lending as freely as they used to in the past. The banks are auctioning the houses in their portfolios. This explains their reluctance to fund new clients for mortgage loans.

Because of the GFEC and the impact of the National Credit Act, the business has closed the posh offices it used to lease and has moved to sub lease from an estate agency. Because of the reduced

work load the PA now does the business's administration, client relations, manages the diary of the owner manager and any other duties. The PA has a permanent contract with pension, annual bonus, maternity leave, medical aid.

The firm now does not employ any part time workers directly anymore. The Firm now contracts sub-contractors firms which then under take the work with their employees. The workers are in the employ of the sub-contractors. The part time workers have short term contracts which are only wage based. But they have work insurance. The sub-contractors are obliged to provide medical and insurance cover for their employees.

The market situation of the company is well reflected in the financial performance of the company. The annual turnover of the firm rose from less than R100 000 at the beginning in 2005, to over R5 million by 2008 and then it has fallen to R1.5 million due to the GFEC.

Respondent Three in explaining Table 4.3 (f) stated that in the past the firm used to have 4 marketing persons full time in the employ of the company. They were paid a basic salary and in addition got a commission for the number of clients they brought into the company per month. But because of the basic salary the marketing agents did not bring in that much business. The commission failed to motivate the marketing agents to work hard to bring in the expected high volumes of business.

Respondent Three in explaining Table 4.3 (h) outlined that by also not having the marketing agents in the office of the firm, the firm reduced the office, space, and stationary requirements of the marketing agents. The promotional construction house shows and exhibitions which the marketing agents used to do were also cancelled thereby reducing costs. Respondent Three (interview, 10 September 2010) concluded that through all these marketing cost reductions the marketing budget went down by more than 70%. The marketing budget contribution to total operating costs reduced from 35 % to 15 %. These changes are illustrated in Figures 4.1 and 4.2 below.

Figure 4.1: Marketing Costs 2008

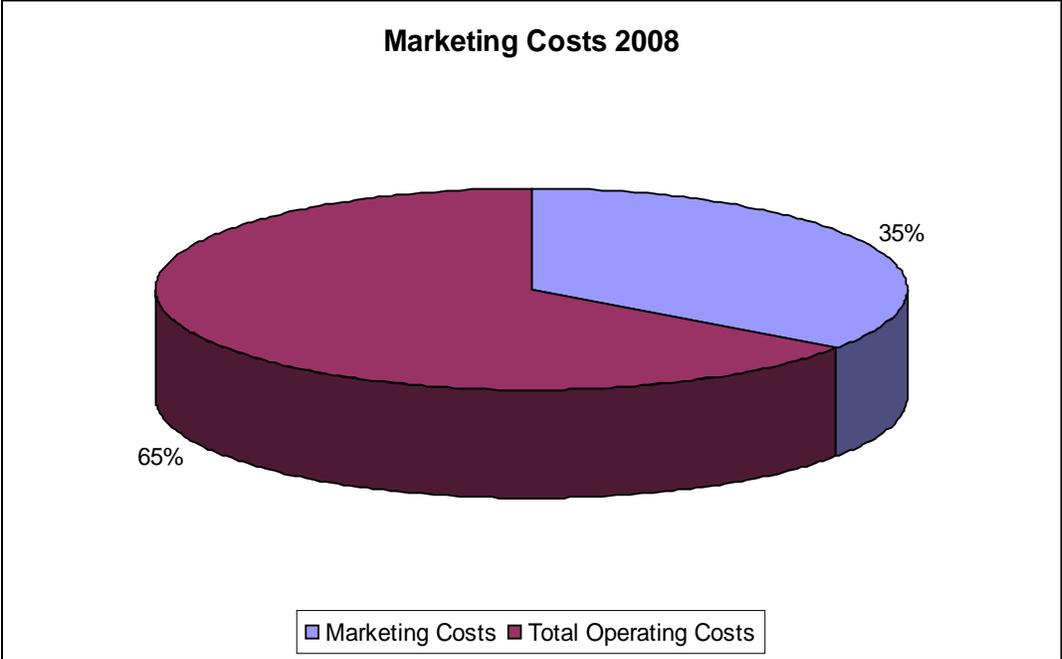
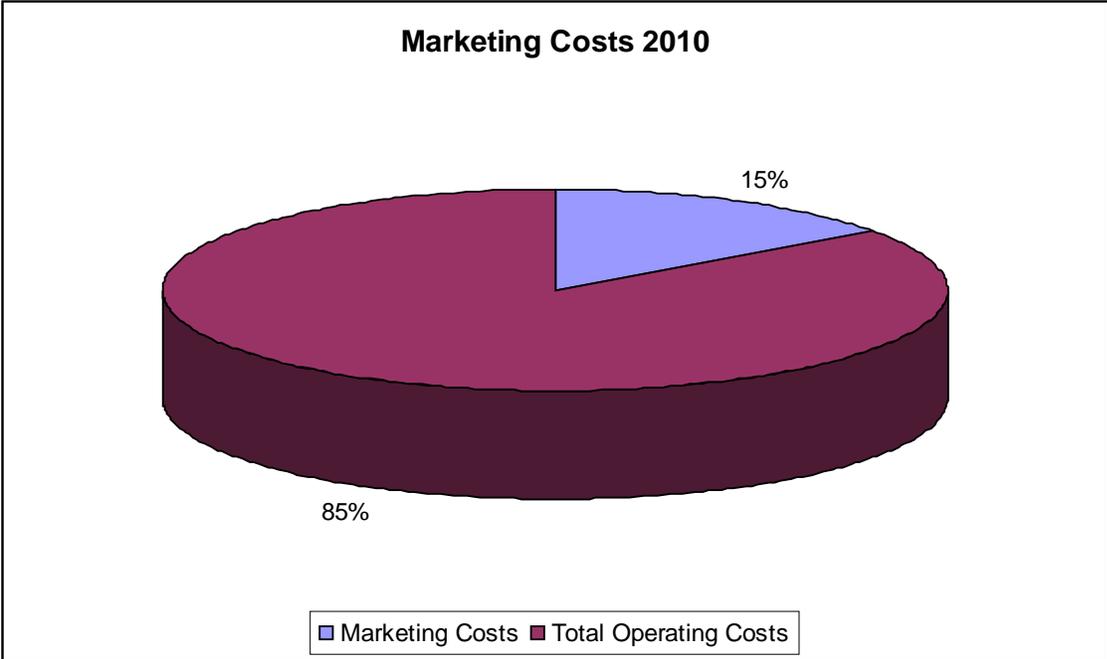


Figure 4.2: Marketing Costs 2010



The firm has decided to outsource the marketing function to staff of the estate agency to reduce costs. In addition the firm also decided to outsource the marketing function to “protect the image of the company” from the clients in case there were problems.

So working through the estate agent and the estate agent marketing personnel meant that the company was no longer the one directly exposed to the market. But clearly the strategy to protect the image of the company by removing from the direct visibility of the clients also contributed to the loss of business.

The company lost direct contact with prospective clients through this new marketing approach. It is clear that this new marketing approach have been detrimental to the firm’s capacity to attract new clients a in a vigorous manner. It is debatable whether the loss of clients and the resultant loss in revenue is more because of the effect of the Global Financial and Economic Crisis or indeed the National Credit Act, on the one hand or the new weak marketing strategy on the other.

Interestingly, the revenue figures have again begun to climb upwards towards the end of 2010. This is attributable to two factors: the gradual economic recovery from the impact of the crisis and the change in marketing strategy.

The second point is worth pursuing some more. When the researcher interviewed Respondent Three for the first time, He was very much interested in the questions on the marketing strategy. Out of the debate on the efficacy of the marketing strategy of using the Estate Agent marketing personnel was a realization on his part that the decline in revenue was perhaps in a large part due to an ineffective marketing strategy. Based on this, Respondent Three sought advice from other market players in his network. He was guided to an internet site which is a platform where clients with secured finance seek construction firms to build their properties for them. This market segment has proved to be better as they have already secured finance. Based on this Respondent Three is now experiencing increased volume of business again. This proves the point that the growth of the business lies with the quality of the marketing strategy decisions that the owner manager makes.

The marketing case of Enterprise One is also presented and analyzed below.

In the apartheid era, ENGEN gave opportunities to black owned small firms to refurbish its petrol service stations. This gave many small contractor firms the opportunity to develop skills in providing quality service to big corporate clients. Enterprise One was one of these black contracting firms that benefited from the business of refurbishing petrol stations. However the volume of contracts and the related income from this line of business was very low. It did not provide a large enough revenue base for the enterprise to grow. Respondent One therefore continued to search for new market segments to increase volume of business and the possible revenue for the enterprise. He was convinced that access to more and larger contracts would be the basis for the growth of the business.

The advent of independence in 1994 ushered in “more opportunities” for the medium sized construction firms. The new majority government was very conscious of the dear shortage of accommodation and quality roads especially in the black townships. It therefore began a major

infrastructure development programme targeted at uplifting the quality of life of the black majority.

This infrastructure development programme presented a major opportunity for the construction industry in general but especially for the black owner managed small and medium construction enterprises which were eligible to bid for government construction projects for the first time. Respondent One's was one of those black owner managed small and medium construction enterprises that bid and won contracts from the different arms of government, especially local municipalities for the first time.

Respondent One (23 September 2010, interview) in explaining Table 4.1 (i) observed that,

“The independence era made opportunities for government business more open to all.”

Today Government system provides for 100% of the market for Enterprise One. He no longer has any jobs in the private sector. The government sector jobs meet all his needs currently. Most of the work involves building and rehabilitating roads in the local municipalities. Currently the firm is building and rehabilitating roads in the Bojanala Platinum District Municipality. He is also involved in the construction of a Multipurpose Sports Centre in Branfisherville in Soweto. Respondent One (23 September 2010, interview) in explaining Table 4.1 (i) stated that,

“The opportunities presented by the era of independence found me ready thanks to the experience gained in refurbishing the ENGEN service stations. Because of the new opportunities in the new era, AZ quick growth came quickly.”

In appreciation of the public tender system, Respondent One (23 September 2010, interview) in explaining Table 4.1 (i) stated that,

“The public tender system is the main means facilitating access to government sector jobs. The public tender system has made access to market much more comfortable.”

Finally the marketing experience of Respondent Three's company with diversification in explaining Table 4.3 (i) is presented below to highlight the concept of diversification.

The firm is in the business of house construction. But recently the company got a contract from the government to do structural steel work for infrastructure development. Respondent Three (10 September 2010, interview) in explaining Table 4.3 (i) argued that,

“This does not signify a moving out of our core business but it's a diversification strategy to boost to cash flow and turnover given the impact of the financial crisis on our core market segment”.

This move into the structural steel work comes with limited capital requirements. The work is undertaken for the main contractor. The materials are purchased and supplied by the main contractor.

The key success factor for the growth of the firm is the ability to know the load of work to be undertaken per month and the number of workers required for that work. The foreman overseeing both the housing construction and the structural steel work segments of the business has the task of matching the work with the manpower requirements. When the business grows and becomes financially viable, Respondent Three will consider recruiting a foreman for the steel reinforcing business. . Diversification will be ring fenced to ensure that it does not detract from the focus on the core market segment.

The three cases of marketing strategy outlined above illustrate one major point – that growth is achieved in the construction industry through focus on a particular market segment and providing superior service to the clients. The strategic focus on the niche market explains to a large extent the growth of the owner managed medium size construction enterprises in this research. By shifting from the low volume and low profit margin contracts provided by ENGEN to the larger volume, bigger sized and more profitable contracts provided by the government, especially local municipalities, Respondent One's marketing decision outlined in explaining Table 4.1 (i) placed the enterprise on the growth path. Respondent Two placed the enterprise on the growth path through his decision outlined in explaining Table 4.2 (i) to focus the business more in the sub-contractor market segment. This was reinforced by his ability to build long term relationships with the major large contractor firms, which guaranteed his enterprise a steady stream of businesses.

Respondent Three's focus on the middle class housing market niche through internet marketing and the related diversification strategy in the steel reinforcement government sector has reestablished the enterprise's growth path. This proves the point that the growth of the owner managed medium size construction enterprises lies with the quality of the marketing strategy decisions that the owner manager makes.

4.3.6 The Structure of the Business

Based on the data presented by the Respondents as summarized in Tables 4.1 (n,o,p) 4.2 (n,o,p) 4.3 (n,o,p) 4.4 (n,o,p) and 4.5(n,o,p) the issue of the organizational structure at the outset of the enterprise and later in the medium enterprise phase will be analyzed.

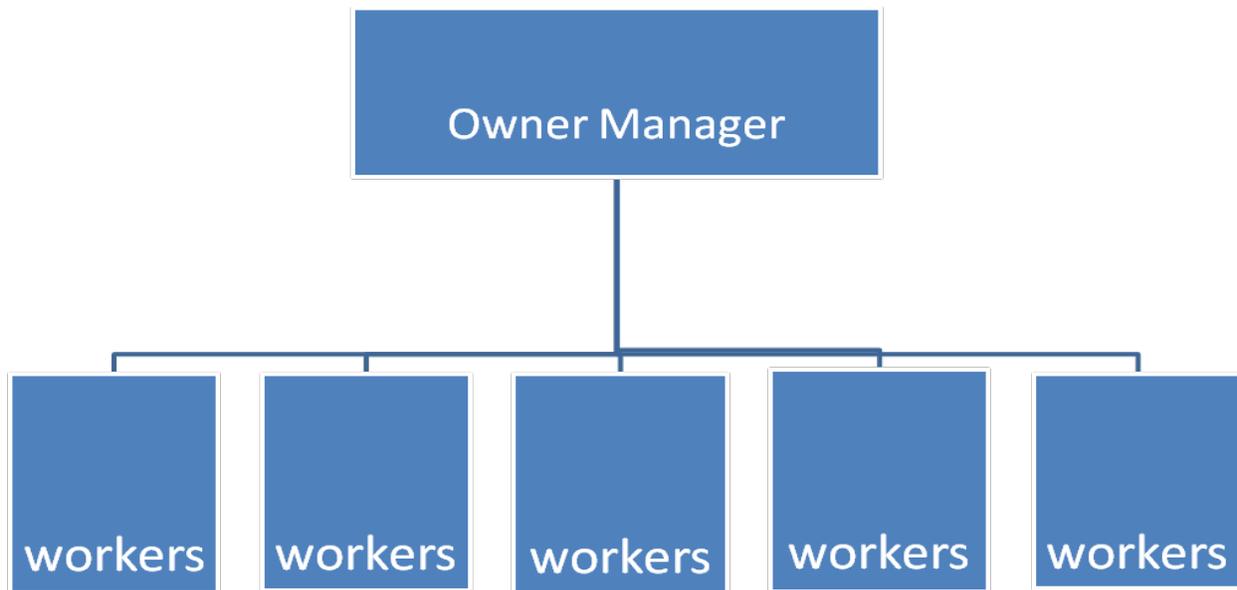
The organizational structure of the enterprise when it was in the small enterprise phase was very flat. The owner manager was in control of all aspects of the enterprise's life.

The owner manager was involved in all the decisions of the firm – big and small. As a result the owner manager was in direct everyday contact with every employee in the firm. The owner manager was therefore very familiar with each and every employee. He knew every employee personally and was on a first name basis with all employees. The work instructions were given largely through word of mouth by the owner manager directly to each employee for every task to be performed. Respondent Two (10 October 2010, interview) observed that,

“At the beginning I did a bit of everything in the office, in marketing and at the site. The work was not very structured. I drove the work of the firm mostly single handedly.”

Based on the data presented by the Respondents as summarized in Tables 4.1 (n,o,p) 4.2 (n,o,p) 4.3 (n,o,p) 4.4 (n,o,p) and 4.5(n,o,p) Figure 4.3 below typifies the organizational structure of the enterprise in the small enterprise phase.

Figure 4.3 Typical Organogram of the Small Construction Enterprise



When the firm grew, however, the owner manager was not able to be the be all and end all of the business activities. He was not able to in daily and direct contact with all employees. He could not give work instructions to every employee for every task. As the number of employees grew, the firm had to introduce a middle management level. The effect of this was that new work methods and new procedures for the delivery of work instructions to the employees had to be devised. These work methods took the firm more towards the path of structured communications and work management. The result was a more hierarchical organizational structure with bureaucratic and formal processes.

The owner manager now had to deal with the employees through the middle management. Work schedules we discussed with the middle managers and then communicated to the employees by the middle managers. An employee from Enterprise One (15 October 2010, interview) who works as a driver observed that,

“The company is a fair employer. Any disputes and work arguments and misunderstandings are timely settled by the site supervisor. Issues rarely ever

have to be referred to Senior Manager who is the next in line or the owner Respondent One”.

The time space created by the introduction of a middle management layer allowed the owner manager time to focus on the more strategic aspects of the business, namely: identifying new customers and negotiating new business deals, interacting with the government officials to comply with and influence the macro-economic environment. Respondent Three (10 September 2010, interview) observed that,

“The old system was a constraint. There were lots of contracts but the underlying system and structure of the firm was dysfunctional. But now the structure and the systems of the firm are well designed.”

For example, now Respondent Three liaises with the clients, suppliers, and other industry players most of his work time. He also communicates a lot with the foreman. He rarely communicates directly with the sub contractors or the workers. Respondent Three (10 September 2010, interview) stated that,

“What I do today is minimal compared to the where I am coming from in this company. Its minimal but strategic work not compared to the operational and routine of before.”

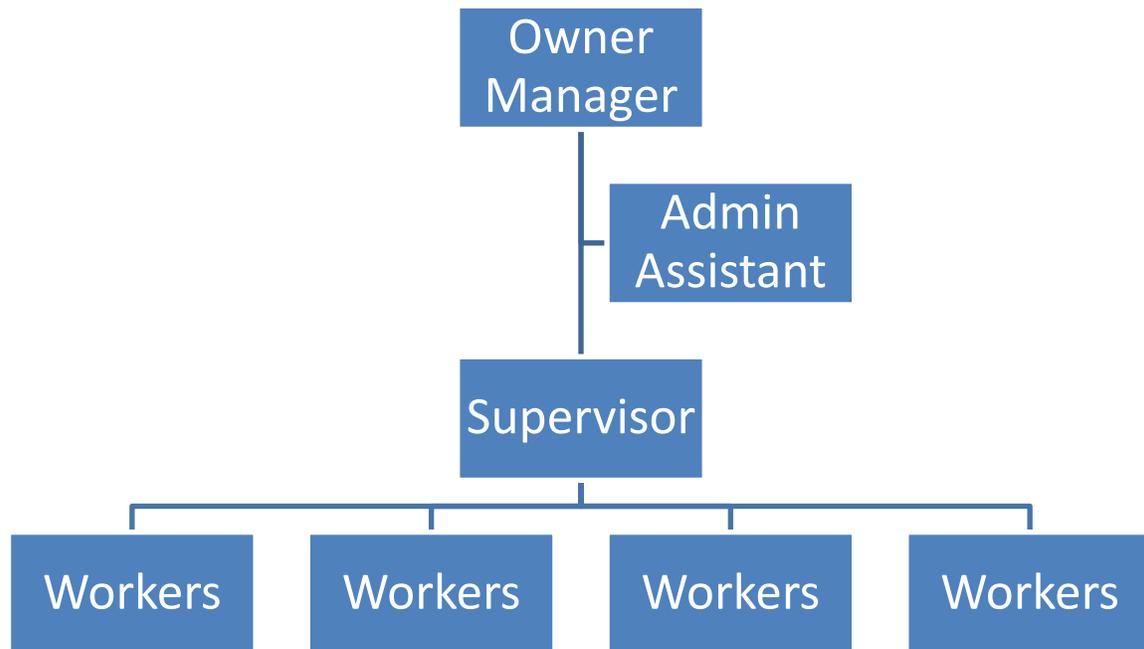
Respondent One (23 September 2010, interview) outlined the structure and hierarchical relationships in Enterprise One today as follows,

“I have delegated most power to run the company to the Supervisor. The supervisor has the power to hire and fire all the employees in the company. He has the power and authority to run the company except finance and signing contracts.

I ensure that the Supervisor only makes commitments that the company can keep. I am the finance controller and I manage all payments and sign all the contracts.”

Based on the data presented by the Respondents as summarized in Tables 4.1 (n,o,p) 4.2 (n,o,p) 4.3 (n,o,p) 4.4 (n,o,p) and 4.5(n,o,p) the Figure 4.4 below illustrates the structure of the enterprise as it underwent growth into a medium sized construction firm.

Figure 4.4: Typical Organogram of the Medium Size Construction Enterprise



There are regular meetings for finance and project progress review. These are two times a week. The site meetings are undertaken once a week.

The supervisor becomes the glue that brings the strategic work of the owner manager, the administrative back up and support of the administration officer and the operation work at the site together. The supervisor normally has experience in the construction industry spanning over ten years and often has a professional building industry qualification.

Commenting on the role of the supervisor, Respondent One (23 September 2010, interview) in explaining Table 4.1 (n,o,p) stated,

“The company cannot do without him.”

This proves that one of the key drivers of the growth process is the willingness of the owner manager to transform his role from a hands on operational supervisor to a more strategic one. In the process he cedes most of his on site day to day supervision of the employees to a newly installed middle manager who works as a supervisor on site. This transformation seemed to have been made at great emotional and psychological pain for the owner manager. He had to overcome fears of losing touch with the on goings at the site and a sense of loss of control of the employees. It is this ability of the owner manager that defines a construction firm that grows.

Respondent Two (10 October 2010, interview) in explaining Table 4.2 (n,o,p) in the statement below summarizes this strategic shift and the challenges it brought,

“Removing my overalls, and not touching the brick and mortar everyday and replacing them with a cell-phone, a suit and laptop was painful and very difficult. It challenged me. But I knew that to grow the business it had to be done.”

4.3.7 Nature and Type of Communication

Based on the inputs from the Respondents as summarized in Tables 4.1 (r), 4.2 (r), 4.3 (r), 4.4 (r) and 4.5 (r) the nature and type of communication utilized by each enterprise is analyzed in this section.

In the small enterprise phase of the construction firm all communication was face to face and directed by the owner to the employees. The work instructions were given largely through word of mouth by the owner manager. Work instructions were rarely, if ever, given in the written format. As consequence, there was no paper trail of the work history and the work instructions.

The transformation of the structure of the company from a flat to a more triangular structure, as highlighted above, has entailed fundamental changes in the manner in which communication is handled in the enterprise. The changing role of the owner manager has meant that his communication within the company has shifted from the employees to the middle manager. This transformation has been replicated throughout all the respondents.

Below are highlights of the salient features of the transformation in the nature type and content of the communications that the owner manager undertakes in the enterprise:

- There is a weekly site meeting (normally every Saturday morning) at the work site. This weekly site meeting is the main instrument through which the work progress on site is assessed and all the problems faced are addressed. The work for the next week and the materials to be procured are also planned at this weekly site meeting. The participants at this meeting are normally the owner manager, the supervisor and the administration officer. Often minutes are taken at this meeting. This means that this is a formalized meeting conducted in a structured manner as in any large enterprise. There is a standing agenda covering the key issues of the enterprise’s work.
- In the case where a member of the family is employed by the enterprise, the owner manager meets the family member every evening to debrief about the on goings at the enterprise for that day. In the evening the owner manager sees and reviews all the emails correspondence that will have come to the company office. The decisions on what the responses to the emails should be are made with the family member concerned. This shows that business and family are key ingredients in the enterprise communication mix.

- There is a very frequent, intense and deep communication between the owner manager and the supervisor. They talk on the phone at least four times a day on average.
- Most of the communication is to share critical developments in the work progress on site and also to have decisions made by owner manager. The exchanges are to guide supervisor in the execution of the work. Most of the work instructions are given telephonically through the mobile phone.
- There are extensive and intensive planning meetings between the owner manager, the supervisor and the administration officer at the beginning of the execution of a contract. These planning meetings are critical to the success of the whole project execution. The weekly meetings build on the major planning meeting made at the beginning of the contract. The supervisor then implements the overall master plan of the project and the Saturday plans.
- There is a progress report document where both the Administration Officer and the supervisor write what will have transpired in each project every day. The owner manager uses this document as the basis for a review of the work twice per week.
- Communication is mainly through the cell phone. The owner manager makes and receives no less than four calls to supervisor a day to discuss different aspects of the business and no less than six calls to and from the administration officer. The company is driven by the verbal telephonic communication. There is limited written communication in the firm. The emails are managed by administration officer.

From the above analysis of the communication system of the firm, as they achieve growth, it is clear that a clear and comprehensive communication strategy lies at the heart of the growth process. This communication strategy is designed and driven by the owner manager. Clearly one of the key changes an owner manager undertakes as his firm embarks on growth is the review of the communication requirements, design and implementation of a clear simple practical communication system which places him at the centre. The owner manager has to move the communication of the enterprise from a face to face based system to an electronic based system which is more formalized and structured.

The owner manager is at the centre of a communication web. It is this communication system that drives the work of the enterprise. One of the key drivers of growth therefore is the replacement of the physical presence of the owner manager at the work site with his presence at the centre of a virtual communication web. This process had been facilitated by the dramatic developments in IT.

4.3.8 The culture of the firm

The responses to the questions on the culture in the enterprises are analyzed here based on the summaries presented in Table 4.1 (s), 4.2 (s), 4.3 (s), 4.4 (s) and 4.5 (s).

At the outset the owner manager was the source of all the activities in the firm. He was the be all and end all of the firm. The owner manager was involved in all the decisions of the firm – big and small.

As a result the owner manager was in direct everyday contact with every employee in the firm. More often than not he personally recruited every employee. The owner manager was therefore very familiar with each and every employee. He knew every employee personally and was on a first name basis with all employees. The enterprise culture was therefore very informal. The work instructions were given largely through word of mouth. Work instructions were rarely, if ever, given in the written format. As consequence of the informal work atmosphere there are no formal meetings or structured methods of managing the roles and responsibilities.

The work culture is semi-formal and is driven by the African values which are characterized by respect for and difference to elders, deep consideration for the social circumstances of work colleagues, establishment of strong informal groups based on similarities in ethnic origins or totems and avoidance of public questioning and scrutiny of authority. The culture is also open marked by a free flow of direct information between the owner manager and the employees.

When the firm grew, however, the owner manager was not able to be the be all and end all of the business activities. He was not able to be on first name basis with every employee anymore. As the number of employees grew, the firm had to introduce a middle management level. The effect of this was that new work methods and new communication methods has to be introduced. These work methods took the firm more towards the path of structured communications and work management. The result was a more towards bureaucratization and formalization.

It therefore can be concluded that in its formative years the culture of the small enterprise is very informal. But as the enterprise grows the informal personal culture does no longer suffice. It is therefore replaced by a more formal semi bureaucratic culture. Meetings become more structured and routine. Communications in general and work instructions in particular are more formalized and documented.

4.3.9 Business and Family

The responses to the questions on the interplay between business and family in the enterprises are analyzed here based on the summaries presented in introductions in sections 4.2.1(a), (b), (c), (d) and (e).

The mixing of business and family is one of the hallmarks that define a small enterprise. Business finances are also family families in a seamless line. Family members work in the business without any structured compensation. It is understood by all that the needs of the family are to be met from the business revenue.

As the enterprise grows a wedge develops between the enterprise and the family affairs. More and more outside employees are recruited. These employees are brought in more on the basis of their skills rather than their relationship to the owner manager. As the enterprise becomes more formal and professional, the family recedes into the background.

However it was clear from this research that even as the enterprise reaches the medium size phase the remnants of family and business mixture of the small enterprise phase were not shed completely. In all cases, family was found to be still involved in the professional running of the medium sized firm.

The examples below from Enterprise One suffice to prove the continued role and intertwining of business and family:

- Through the revenue from the enterprise Respondent One has been able to pay for the education of his first son who is now graduating from the University of Bristol in the United Kingdom. He is graduating with a degree in B.Sc. Sports Management.
- Through the revenue from the enterprise he has also been able to pay the second son's education through Matric level and to University of Witwatersrand. The second son has however dropped out of the Law degree he was doing and is now working fulltime in the company as the administrator. In the company he is responsible for the administration and payment of the bills of the enterprise.
- Respondent One agrees that the employing of his son in the business has blurred the line between business and family. He is not convinced that the son adds real value in the company. He observes that the son relates with him as Father rather than as the owner manager of the business as outlined below. Respondent One (interview, 23 September 2010) stated,

“Trevor’s employment situation in the business needs be dealt with in time. Often Trevor is not at work without permission and then he appeals to “Papa” for forgiveness.”

It is pertinent however to note that more often than not the family members who remain in the business as shown by Enterprises Two and Five do in fact have professional qualifications in their areas of responsibilities. The wife of the owner and manager in Enterprise Two has an Accounting Diploma and is responsible for the record keeping, financial decisions, and accounting of Enterprise Two. In Enterprise Five all the siblings have professional qualifications in their respective areas of responsibility. The only exception is the sister responsible for Risk, Safety and Health. However it was stated that she is currently undertaking studies to acquire a Diploma in Occupational Safety and Health.

Enterprise Five also presents an interesting trend in the role of family in the business. As highlighted in section 4.2.5 above, the family members have steadily joined the enterprise as it grew and took up specific portfolios – Managing Director (1998), Contracts and Project Manager (2005) Accounting Manager (2007), and Safety and Health Manager (2010). This is very different from the trend seen in Enterprise One and Two where family members are at the centre of the enterprise from the beginning. In this case the family members come into the enterprise when it has already commenced its growth trajectory, bringing with them their skills which are based on educational and professional qualification and acquired work experience. When a

family member joins without the requisite professional qualifications that family member has to undertake the requisite studies, in this case studying for a Diploma in Occupational Health and Safety. It is clear that the growth process of enterprises Two and Five in particular benefit from the diverse professional expertise and work experience which the family members acquire from other work environments.

4.3.10 Management of the Books

Based on the data presented by the Respondents as summarized in Tables 4.1 (k) 4.2 (k) 4.3 (k) 4.4 (k) and 4.5(k) the manner in which the Respondents have managed the books at the outset of the enterprise and latter in the medium enterprise phase will be analyzed in this section.

The management of the books is one of the crucial areas as the enterprises have grown. The firms usually had relatively weak record keeping systems at the outset. There were no systematic well organized methods and procedures for recording all income, expenditure, and materials inventory. To compensate for the weakness in the financial management system, the owner manager personalized and centralized all income receipts, payment for all expenditures and inventory management in him. This meant that all transactions had to be sanctioned by the owner manager himself. This personalization and centralization of the financial transactions in the owner manager was also designed to limit the pilferage of funds and materials that seems to haunt every small enterprise.

As the enterprise grew the scale, volume and intensity of the financial transactions increased. This made the personalized and centralized financial management system more and more difficult to implement. It also became a more and more of a liability as all financial transactions had to wait for the physical availability of the owner manager. This method of managing the financial affairs of the enterprise clearly became a constraint to the operations of the business.

Spurred by the reality of a mismatch between the needs of the enterprise and financial management system, the owner manager undertook a review and decided to change the financial management system. The owner manager decided to bring in the services of an external accounting firm to assist with the management of the finances.

The externalization and contracting out of the financial management had the impact of improving the quality and timeliness of the financial transactions. No longer reliant solely on the physical availability of the owner manager, financial transactions could now be undertaken more quickly. This had the impact of increasing the speed with which transactions could be undertaken. This had the effect of increasing the overall volume of business that the firm could undertake.

The basic book keeping is undertaken by the firm's personnel. Normally this is the owner manager, the administration officer and the foremen. Because more people are involved in the financial transactions, the external accounting firm had to assist the owner manager to devise a system of recording all the revenue and more importantly the expenditures. This process of

formalization of the financial system meant that every transaction was meticulously recorded with a supporting voucher.

4.3.11 The Profile of the Workers

Based on the data presented by the Respondents as summarized in Tables 4.1 (f,h) 4.2 (f,h) 4.3 (f,h) 4.4 (f,h) and 4.5(f,h) the profile, professional qualifications, experience and cost of the workers at the outset of the enterprise and later in the medium enterprise phase will be analyzed in this section.

The skills profile of the workers has changed a lot as the enterprises have grown. At the outset the workers were largely unskilled to semi skilled. The level of complexity of the work to be undertaken was very basic. This is depicted Respondent One's enterprise which started out renovating run down ENGEN garages. The bulk of the work needed to be undertaken by unskilled and semi skilled workers. It mainly consisted of scrapping off the old paint and repainting the walls. A qualified or experienced painter was the most skilled worker in the firm at the time.

The case of a driver at Enterprise One also highlights the transformation in the skills profile of he workers. A driver in the company has graduated from driving a bakkie to transport materials and workers from one site to another to driving tractors and heavy duty sand tracks to driving heavy duty construction vehicles like the front loaders, graders and other road construction vehicles.

The most qualified personnel in almost all the respondent companies have moved from being basic artisans to being highly sophisticated and qualified personnel. In general they have moved from being painters and builders to being graduate engineers and quantity surveyors.

This transformation proves the point that growth of a construction firms is related to the firms moving higher up the value chain.

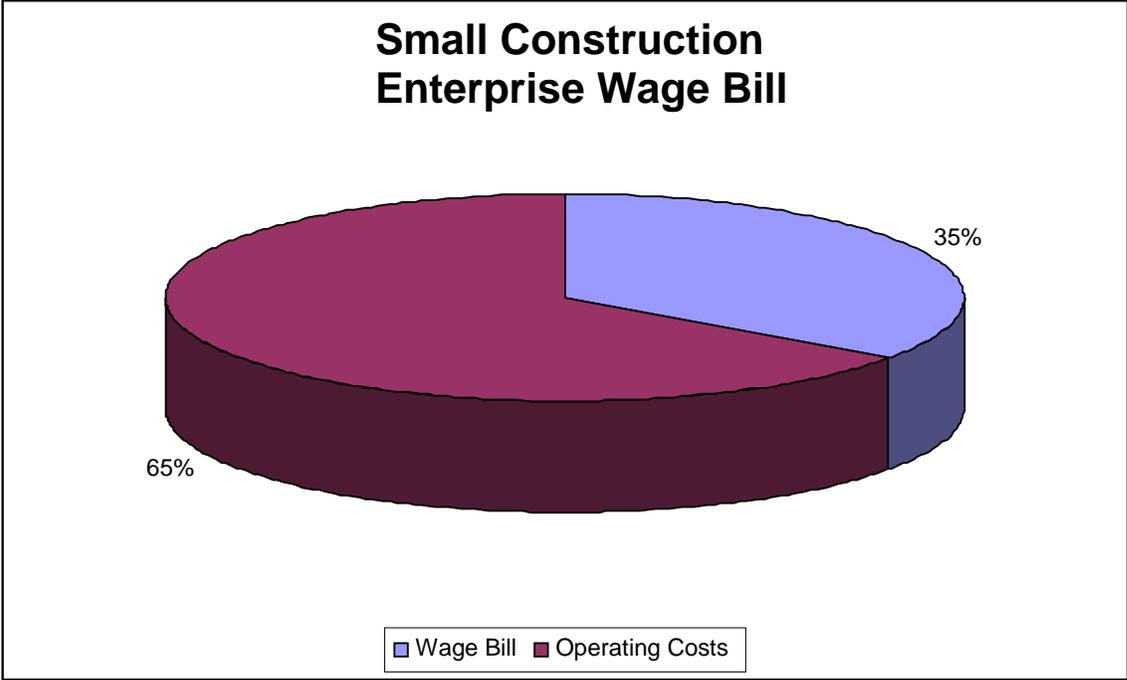
As the firm moves from doing basic low end work in the construction industry to more value added work, the competencies and capacities of the work force also have to move up. It is not possible to do high value construction work like road construction, as distinct from refurbishment of service stations for example, while retaining the same skills profile among the labour force.

To meet the quality demands of the higher value work, the growing enterprise has to either train its existing employees to attain high skills qualifications or more commonly to recruit personnel with a higher profile of skills. This is especially true given that it takes a long time to develop mechanical and structural engineers – normally four to five years. This means that it is not possible for the growing enterprise to invest its meager resources over a four or five year period to train the mechanical and structural engineers that it needs to undertake its work. The recruitment of already qualified and skilled personnel from the labour market therefore makes the most practical business sense.

The implication of recruiting from the open labour market is that the growing firms find themselves in open competition with the established companies for skilled personnel. This means

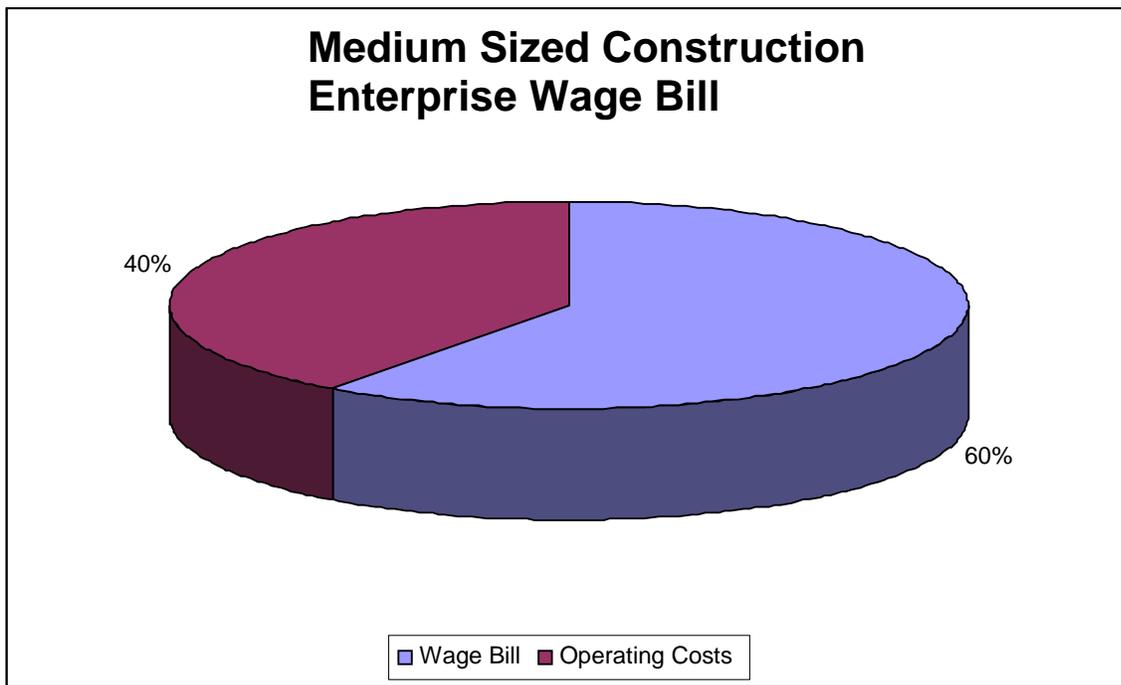
that the growing enterprises have to pay competitive wages and working conditions. This transforms the cost structure of the growing enterprise. In the past, when they were small firms, materials and other operating expenditure was the major cost driver. This is illustrated in Figure 4.5 below

Figure 4.5 Small Construction Enterprise Wage Bill



As shown by data presented in Tables 4.1 (h) 4.2 (h) and 4.3 (h) it is evident that as the small construction firm embarked on the growth path, the wage bill becomes the major cost driver. The need to attract and retain the qualified professionals drives up the proportion of wage bill to materials and other operating costs. This is illustrated by the Figure 4.6 below.

Figure 4.6 Medium Sized Construction Enterprise Wage Bill



Related to the growth in the wage bill is the changing nature of employee management relations. When they were small firms, owner managers were heavily involved in all aspects of the firm. As a result, the employees at that time took instructions from the owner manager in how to perform their tasks from the owner manager. There was very small room for personal initiative in the definition and execution of the work. Employees simply obeyed the instructions given to the letter. It was very much a top down centralized management.

As the enterprises grew and took on the skilled personnel, the owner manager did not necessarily have the technical expertise to give these professionals detailed work instructions. The work complexity was in fact beyond the capacities of the owner manager. He had to rely on the knowledge and competencies of the skilled professionals. The work flow communication increasingly originated with the skilled professionals and the foremen. There was therefore a more dynamic interchange of information and a dispersed communication flow.

Four types of contracts were observed during the research: regular employment, casual employment, paid family work, and apprenticeship.

The majority of the workers were employed on regular employment contracts. These workers' contracts were based on the Basic Conditions Employment Act. They give the workers basic rights, namely injury benefits, leave, given working hours, contributory pension benefits, the right to belong to a union, and overtime benefits.

The work hours are regular normally starting at 0730 hrs and ending at 1730 hrs with two tea breaks and a lunch break. The total hours worked per week are normally 40 hrs. Any additional hours beyond that are considered as overtime which is paid at a rate agreed to at the collective bargaining council. Month end wages are within the range agreed to and set by the collective bargaining council. There is in all cases a limited use of family labour in the form of children or wives. The family labor was however in all cases paid a set wage which was however normally higher than the other workers.

No casual workers were employed. No casual workers were observed during the observation visits. The respondents in general confessed that they do often use casual workers when they have pressure to finish a particular project on time.

The key success factor of the firm is the ability to know the load of work to be undertaken per month and match it to the manpower needed. The foreman overseeing the on site construction has the major responsibility for managing the workers.

4.3.12 Role of Information Technology

Based on the data presented by the Respondents as summarized in Tables 4.1 (i) 4.2 (i) 4.3 (i) 4.4 (i) and 4.5(i) the role that Information Technology has played at the outset of the enterprise and latter in the medium enterprise phase will be analyzed.

Information Technology (IT) has a role to play in the growth of construction firms. It has played a facilitating role in business processes and transactions. As the firm has grown the role of IT has also grown within the firm. At the outset as these enterprises were created, IT played a very minimal role – communication was normally by land line telephones and letters, business transactions were manually done with records kept physical files, quotations for materials and equipment were requested either verbally or by physical letters which were hand delivered, in response quotations were manually provided, requests for payments were physically provided and in response payments were done either by cheque or physically at the bank.

Communication among employees and between the middle manager and the owner manager was done verbally or in writing in a manual note book. Sourcing of new clients and bidding for contracts was done physically through face to face interactions. Clients were presented with physical letters of correspondence on the work progress and through regular physical meetings.

However, as the firms began to grow most business processes and transactions became computer and internet based. The use of mobile phones for business communication increased. As a result, the number of meetings within the firm and between the firm and its key stakeholders has declined. The nature and object of meetings begun to transform from the routine sharing of information to being more strategic, work planning and problem solving in orientation. As the costs of mobile phones declined and the costs of using them also declined it became more costs effective to share business performance and work progress information using mobile phones. Requesting material supply costs and getting quotations was now commonly done over the mobile phone than in person, Instant quick feedback on progress to customers and the owner manager was provided over the mobile phone. Small and simple problems were solved over the

mobile phone rather than in physical meetings. Mobiles phones became the communication device of choice in growing construction firms.

Access to internet and the general use of computers simple hitherto complex and time consuming processes. Recording of business processes in general and financial processes in particular became easier and faster using the computers and on line on the internet. Sourcing business, tender bidding announcements, tender bidding forms, submission of tender forms, and advertising for new business is now routinely done in all growing construction firms over the internet.

It is in the financial transactions that the most dramatic transformation has occurred. Requests for payment, the payment and payment receipts are all provided on line. On line banking has transformed the way firms are paid for services rendered by the clients.

The growing construction firms in all cases use specialized software to tract progress and to update the client on the progress. This has reduced the progress review meetings. These progress review meetings when held are now held more often on site combine with particular problem solving.

The advances in technology allowed the merging of the mobile phone into an integrated communication and online tool that accelerated the above processes.

The growing construction firms have adopted the technological advances both as a result of growth and as a vehicle for facilitating growth. As they have grown they have found that there are now standard ways to communicate with customers and suppliers based on the mobile phone and the online computer. To achieve greater efficiencies and in most cases to reduce their labour costs, they have also had to adopt the technological advances as a strategy for growth.

Based on the data presented in Tables 4.1 (i) 4.2 (i) 4.3 (i) 4.4 (i) and 4.5(i) this research has established that the use of IT in the growth of the construction firms has followed a three stage approach as outlined below:

4.3.12 (a) Step One: Introduction 1995 - 2000

In this era, mobile phones are introduced, initially as tools for social interaction but slowly as tools for business communication. Given the high costs of the gadgets themselves and the high connectivity costs, they are used sparingly and only for the most urgent communication needs. At this point the mobile phones are not yet ubiquitous and therefore limited in their usage. They are used more for mobile phone to land line communication. They are complimentary to the existing physical based and letter based communication system that these construction firms utilized.

Computers are more used as word processing tools to write reports, bidding documents and requests for quotations. Often they exist side by side with the traditional typewriters.

4.3.12 (b) Stage Two: Consolidation 2000 – 2007

The construction firms begin to use mobile phones for increased business to business and intra business communication. As more and more people acquire the mobile phones and they also begin to be legitimate tools of business communication, the costs are lower and connectivity easier and cheaper. The construction firms begin to ensure that all the administrative staff, the work foremen and the owner manager begins to communicate routinely by mobile phone. The volume and intensity of mobile communication increases thereby reducing communication costs and increasing efficiency and effectiveness.

Computers begin to be used for more than report writing. They are used for financial processing and data storage. Online connectivity while still expensive begins to be a regular feature of the growing construction firms' operations. Emailing begins to replace physical letters in a more profound way. Specialized construction progress tracking software begins to be introduced in the firms as they grow.

4.3.12 (c) Stage Three: Integration 200 – to date

Mobile phones are now so ubiquitous that they have effectively replaced land line phones as the main vehicle for business communication. The ability and features of the mobile phones has increased to the point where they now function as mini hand held computers.

The process of integration between mobile phones and desk top computers is well and truly underway. There is now compatibility and communication between mobile phones and the desk top computers. Uploading and down loading data from one to the other is now common place. Mobile phones now have on line connectivity at very reasonable rates.

The owner manager can therefore now track the performance of a project using the mobile phone online without the need to necessarily visit the site physically. The emailing from desk top to mobile phone enables the owner manager to communicate with the administrative staff in the office while on the move. It is much easier to check receipt of payments and indeed to make payments for purchases of materials on line. All these developments benefit the growth process through increased productivity and efficiency. At this point, the growth of construction firms is more and more a result of the IT developments.

4.3.13 Owner's Management Style

Based on the data presented by the Respondents as summarized in Tables 4.1 (o), 4.2 (o), 4.3 (o), 4.4 (o) and 4.5(o), the role that the owner manager's management style played at the outset of the enterprise and latter in the medium enterprise phase will be analyzed in this section.

The management style of the owner manager was a key determinant in the performance of the enterprise. The management style determined whether the enterprise grew or not. Using the theory X theory Y model of categorizing management styles, the owner managers were grouped into these two managerial styles. Theory X managers were those who use more physical and rudimentary motivation techniques. While Theory Y managers are those who are seek to respect and empower their employees and appeal to their sense of achievement and self worth.

According to this categorization the owner managers who were profiled in this research had graduated from Theory X to Theory Y managers as the business has grown.

They all indicated that at the outset they were very much in control of all the operations and activities in the business - from seeking new business, to negotiating and signing the contracts, recruiting and managing the construction staff, recruiting and managing the administrative and marketing staff, procuring operating and office equipment, communicating with existing clients, supervising the office administrative and marketing staff, supervising the technical site staff, doing all the financial payments and receipts and record keeping for the firm, ensuring all the compliance with the rules and regulations, doing all the progress reports to the clients and the statutory reports to CIDB and other government bodies. In short the owner manager did all the work involved in running the enterprise with minimal or no delegation. He was involved in anything and everything to do with the firm.

This personal control of all facets of the business ensured that he was fully briefed on all developments in the business and put his personal stamp on all its operations. This was a positive. However, employees were ordered around to execute the menial tasks assigned to them. None delivery or delivery that did not meet the personal taste of the owner manager was met with sharp and instant rebuke. The owner was in charge and every employee felt his power and authority.

But, on the negative side, it meant that all business transactions had to be done only on the availability of the owner manager. Without him nothing could move. There was no meaning full delegation and workers were not empowered to make decisions within their scope of work. This became counterproductive for the firm.

As the enterprise grew they found out that they could not run the enterprise in the same way as before. They had to change their style and approach to managing the enterprise. The introduction of the middle manager position was the most crucial change in the process of the owner managers' transformation of their management style. They had to rely and believe in others to achieve their goals. This awareness of their style and its impact on the business was one of the most significant findings of this research.

This research can indeed conclude that owner managers of growth construction firms in South Africa are distinctly aware of their styles and its impact on the growth of the enterprise. The owner managers were all inclined towards a participatory type of management. They saw the inclusion of the workers in the decisions on how best to execute their work as fundamental to the quality and timely completion of the work. The owner managers were clear that the workers they employ are professionals in their different work spheres and should therefore partake in the ongoing decisions of how work should be done.

Universally the owner managers agreed that they have changed their management styles over time as the business evolved. At the outset, the owner managers were very much hands on in the business with very little delegation of decision making. The owner managers concurred that as the profile of workers changed from semi-skilled and unskilled to skilled, their management style

was forced to change to adapt to the new reality. Skilled workers expected and in fact demanded to be given the space to make the work decisions related to the quality, sequencing and material inputs needed for them to execute their work in a professional manner.

4.3.14 Role of Government

Based on the data presented by the Respondents as summarized in Tables 4.1 (i,q,u,v), 4.2 (i,q,u,v), 4.3 (i,q,u,v), 4.4 (i,q,u,v) and 4.5(i,q,u,v) the role of government at the outset of the enterprise and later in the medium enterprise phase will be analyzed. It was clear that the positioning of all the respondent enterprises was a major determinant of growth.

The role of the government in the construction industry is very much a contested topic. This research found very strong, divergent and very emotionally held view on both sides of the argument – positive and negative. Each view and its merits will be presented below.

The impact the government has on the growth, or indeed the hindering of growth on the construction firms is also very topical. All the firms interviewed raised the issue of the role of the government and its impact on their growth in various forms. In all cases the owner managers felt that the government and the role it played in industry had a very heavy impact on the prospects for growth of their enterprises. This is borne out by the fact that the role of government was the only issue raised both as a major driver of growth and the major inhibitor of growth by the respondents.

Respondents One, Three and Five in Tables 4.1 (u), 4.3 (u) and 4.5 (u) outlined that the role of government was a major driver of growth. Respondents Three, Four and Five in Tables 4.3 (v), 4.4 (v) and 4.5 (v) respectively felt strongly that the government inhibits their growth through the role it played in the industry. Thus the respondents were deeply divided on whether the government played a positive or negative role. Indeed both sides of the argument were passionately argued for.

On analysis it is clear that the government was perceived to play three crucial roles, namely:

1. Creator and custodian of the rules and regulation of the industry. the rules and the macro-economic environment of the industry
2. Provider of funds for the players as start up and working capital
3. Creator of the market: funding of housing estates and infrastructure development

The role of the Government in each case is addressed in turn:

4.3.14(a) Creator and custodian of the rules and regulation of the industry

All the respondents viewed the government as the creator of the rules and regulations which define the operating macro-economic environment of the construction. The rules of the industry which the industry players felt impact on their businesses the most are those which govern the Construction Industry Development Board (CIDB). The main role and mandate of the CIDB is to, National Department of Public Works (2000, p.3)

“promote the contribution of the construction industry in meeting national construction demand and in advancing —
(i) national, social and economic development objectives;
(ii) industry performance, efficiency and competitiveness;
(iii) improved value to clients;
(iv) provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector.”

All the respondents agreed that the framework and parameters of what constitutes the industry were very clearly defined by the CIDB. The demarcations of what constitutes the industry were clearly understood and accepted by all. This clarity of the framework and boundaries of the industry was seen by all as an essential requirement for the enterprises not only to function and thrive but also that it laid a very good basis for growth. This was particularly highlighted by Respondent Three (10 October 2010, interview) who stated,

“The ideal role of the government is as the creator of the rules and regulations governing the industry. They should create an enabling environment and let the private sector operators function without hindrance.”

Thus it was clear that for firms to grow they need to be functioning in a clearly defined macro-economic environment. The “rules of the game” need to be clearly articulated by the government in its role as the creator and custodian of the macro-economic environment.

This study extends this view of the centrality of the role of the government in the functioning of enterprises in any economic sector by observing that, the more clearly articulated and commonly understood the rules of the industry the greater the chances and more solid the basis for growth of the firms in that industry.

The greater the clarity and common understanding of the “rules of the games” by firms in the industry the more able those who aspire and strive for growth are able to plan for and drive the firm towards growth.

This point was also born out by the views of Respondent Four who viewed the “rules of the game” were not being observed by most of the industry players. This respondent felt that this none observance of the rules of the game was creating an environment of “chaos” which was being taken advantage of a few firms to the detriment of the majority of the firms which were endeavouring to abide by the rules. Respondent Four (23 September 2010, interview) stated that,

“CIDB is supposed to level the playing field, bring stability and order to the industry but right now it is promoting chaos in the industry by allowing everyone to do whatever they want”.

The grading of the CIDB which determines what size contracts that a firm is eligible for was also criticized by Respondents Two, Three and Four in Tables 4.2 (v), 4.3 (v) and 4.4 (v). They felt that the grading criteria was not objective enough. To explain this, Respondent Two (25 September 2010, interview) stated that,

“The CIDB grading is too restrictive. Grade 7 or 10 enterprises can do some of the things but not all of them.”

The Occupational Safety and Health (OSH) rules and regulations, as articulated in the OSH Act, are a key aspect of the construction industry. These rules and regulations are key to the extent that OSH is a crucial aspect of the industry given its propensity for OSH accidents and causalities. The OSH rules require that a firm has a fulltime OSH Officer and that for each project the firm produces an OSH plan as part of the planning for the execution of the project.

However, this research found that, these OSH rules and regulations are not particularly appreciated by the industry. These OSH rules and regulations were seen as an impediment. To reinforce this Respondent Two (25 September 2010, interview) stated

“Companies can do with less of these OSH rules and regulations. Compliance with the OSH regulations is a huge cost.”

The non-compliance with the rules and regulations of the construction industry was also felt to be attributable to corruption among the public officials who are entrusted with enforcing the compliance with the industry rules and regulations. The issue of corruption was felt to be a problem in the industry even though not many wanted to talk about it except in impersonal terms. In support of this view Respondent Three (10 October 2010, interview) observed that,

“I have not experienced it directly but the talk in the industry is that corruption especially in terms of access to government tenders is a big problem.”

Government being involved in the role of a market player was considered as problematic by the respondents. The respondents felt that the more the government tried to become a market player the higher the propensity for corruption.

4.3.14 (b) Provider of funds for start-up and working capital

The government was also seen as a possible provider of funds for the construction firms. The three types of finance required from the government are: start up finance, working capital, and capital investment. The expected actual and expected role of the government in the provision of finance will be analyzed below.

Start-up finance is the funding required for meeting the costs that a construction firm has to incur to begin its operations. The main costs met at the beginning of a construction firm's life are: acquisition of operating premises, acquisition of technical, administrative and marketing staff, training and orientation costs for all the staff in the procedures and routines of the firm, advertising and marketing, procurement of construction vehicles, procurement of construction plant and equipment, stationary, rent, office equipment, IT equipment, construction materials (like cement, bricks, timber, steel, river sand).

The argument of Respondents One and Three was that the start up costs for construction firms are very high. They therefore argue that the merging construction firms especially the black owned ones need support from the government to enable them to start on the right footing. Explaining this view Respondent Three (10 October 2010, interview) stated that,

“Government needs to provide start up and working capital to the emerging black contractors to enable us to get to the same level with the formerly privileged white contractors. The playing field right now is tilted in favour of the white contractors.”

The logic of the argument is that construction is one of the strategic industries as outlined in the government Industrial Policy and the Industrial Policy Action Plan 11. Because of its strategic importance especially in the provision of housing and infrastructure for the black majority, some respondents emphasized the need for transformation. They highlighted the need for blacks to be assisted to enter industry and to be able to compete with the established white owned construction enterprises. The argument is that for the emerging black construction firms to compete effectively they need to be capacitated by receiving support to meet the start up costs.

Parallels were drawn with the support that the government gave to emerging black farmers who receive support to purchase the farm. In the farming sector the government through land bank pays the total farm purchase price upfront. The emerging farmer then pays back to the government through Land Bank 65% of the farm purchase price over an agreed period of time. The Department of Agriculture has a comprehensive farmer support funds which is then used to support the farmer with farming machinery and inputs. The Department of Agriculture gives the farmer one Inguni cow per hectare and after five years the farmer gives back to the Dept of Agriculture the number of cows he was originally given.

The respondents who were proponents of this viewpoint argued that the government needs to assist the emerging construction firm owners with a scheme similar to the black farmer support scheme.

The above debate on the role that the government should or should not play in the construction sector is in fact a microcosm of the ongoing national on the role of the government in the national and global economy. The New Growth Path recently released by the Economic Development Department captures this debate very well. Economic Development Department (2010, p. 11)

Classical orthodox economics argues that the government role is to be a creator of the rules and regulations and no more. It argues that the less rules and regulations there are the better.

On the other hand there is the argument strongly presented by Respondents One and Five that the market cannot be trusted to arbitrate over resource allocation and utilization without a judicious intervention from the state. This school of thought is encapsulated in the developmental state model. This school of thought argues that, in the historical realities of South Africa where race based inequalities were designed and implemented by the state, it is therefore logical that the same state must be at the centre of righting those historical wrongs. Leaving the invisible hand of the market to mediate in transactions will only perpetuate the status quo where blacks are disadvantaged argued Respondents One and Five.

In the construction sector therefore, the government plays a crucial role as the creator of an enabling environment - setting the rules of the game, and as a market through the provision of infrastructure development and the construction of low cost housing. Perhaps wisely the government has chosen, for now, not to be the provider of start up and working capital for growing construction firms.

4.3.14 (c) Creator of the market: funding of housing estates and infrastructure development

One area where there was convergence of thought among all the Respondents was on the role of the government as a market player through the provision of low costs housing and basic infrastructure. It was perceived as correct by all respondents that the funding of the construction of low costs houses for the disadvantaged majority was the responsibility of government. Significantly though, none of the Respondents viewed this segment of the market as worth of their effort. None of them was specifically targeting this market segment.

The role of the government in the provision of infrastructure was seen as a bona fide responsibility of the government. As reflected in Tables 4.1, 4.2, 4.3 and 4.5 section (i) the Respondents One, Two, Three and Five were all actively providing services to government infrastructure construction projects. Respondent Four was actively seeking government infrastructure construction projects.

It is therefore clear that the growth of all the enterprises is driven by their positioning vis – a – vis the government as a provider of infrastructure construction projects. Interacting with the government and the ability to access infrastructure business from the government is therefore a key success factor in the growth of the construction enterprises.

4.3.15 The Professional, Technical and Academic Background of the Owner Manager

Based on the data presented by the Respondents as summarized in Tables 4.1 (c) 4.2 (c) 4.3 (c) 4.4 (c) and 4.5(c) the professional, technical and academic background of the Respondents and their impact at the outset of the enterprise and latter in the medium enterprise phase will be analyzed in this section.

The growth of an enterprise is, in a large measure, driven by the quality of the decisions that the owner manager makes in the running of the business. The quality of the owner manager's decisions is an outcome of the professional, technical, and academic background of the owner manager in question. The profile of the owner managers who were the respondents in this research was very varied. Nonetheless there were some common trends. Key among the trends is the following:

4.3.15 (a) Primary and Secondary Education

All the respondents had primary and secondary education. This signified that having the basic educational acumen is crucial to managing a business for growth. The basic mathematical skills acquired through the primary and secondary education system are required for doing the income and cost calculations, material requirement calculation, and the cash flow planning for each work project and for the overall businesses.

In all cases the owner managers are the ones doing the financial planning and controlling of each project and the overall business.

This highlights that for a business to grow quality financial planning and controlling is a critical success factor. The quality financial planning and controlling is built on the foundation of adequate primary and secondary education. This proves that there is a direct correlation between construction business growth and the owner manager having primary and secondary education. In this correlation, mathematical skills are the crucial ingredient.

Another element of the interplay between construction business growth and primary and secondary education is the English and Afrikaans communication. The languages of business in South Africa are English and Afrikaans. Both languages are learnt at school for the majority of the black population. At home the African population learns and speaks the indigenous languages like Pedi, Venda, SeSotho, Zulu or Xhosa. This means that the black owner managers need to systematically learn the key business languages, English and Afrikaans. This learning is undertaken in the primary and education system.

The learning of English and Afrikaans is not just in the spoken word. It is also in the written word.

Learning the written word is crucial to the owners and managers of the construction growth businesses because the official communication with the clients, banks, suppliers and the regulatory authorities is undertaken officially in writing. Official business communication

through written English and Afrikaans is the bedrock on which the business transactions required for growth are made. It is therefore true that for the owner managers of construction growth firms primary and secondary education provides them with the business language skills essential for growth business transactions.

4.3.15 (b) Tertiary Education: Provider of Skills, Acumen and Networks

All the owner managers had a tertiary qualification. They all had a Diploma or a Degree qualification. Interestingly, in all cases the tertiary qualification was not in the construction industry. This highlighted two crucial factors:

- Tertiary education provides skills and acumen which are important and indispensable in managing a construction business for growth.
- The value of the tertiary education is in relation to the analytical skills which it provides. It is these analytical skills which assisted these owner managers to analyze their businesses make the decisions required to facilitate growth.

The respondents also raised the value of tertiary education as providing a network of associates and friends who facilitated the business growth in a variety of ways. Business growth was seen as a consequence of a variety of contacts and relationships who offered a variety of material and none material support to the owner manager. The owner manager sought information and advice from the tertiary college network of friends and associates. This advice and information related mainly to:

- where to source materials at reasonable prices,
- who to approach to get discounts and favourable purchase terms from particular suppliers,
- which government departments to approach for what regulatory information and services,
- who in those governments departments to approach to get the service required,
- where to submit tender documents in applying for various government jobs,
- who to lobby in pursuit of tenders for government work,
- where to look for competent and skilled workforce when recruiting,
- and where and who to approach when seeking subcontracting work from the large companies.

From the above list it is clear that the professional network is a key source of information advice and support in the pursuance of various aspects of the business transactions which facilitate

growth. The professional network, while comprising a diverse group of people, seems to have at its core the friends and associates from the tertiary institutions. The tertiary education “old boys” are at the centre of the professional network that the owner managers leverage in the conduct of their business transactions to facilitate growth.

In conclusion then, tertiary education makes three distinct contributions to the owner manager as he or she pursues growth, namely:

- Provision of particular technical and managerial skills,
- Provision of an acumen and capacity to identify and tackle challenges faced in the growth process,
- And the development of a group of trusted friends and associates who will form the core of a professional network which provides information, advice and support in the growth process.

4.3.16 Race

Based on the data presented by the Respondents as summarized in the introductions to sections 4.2.1 (a), (b), (c), (d) and (e) the racial groups of the Respondents and their impact on the business will be analyzed in this section.

Race is and continues to be an emotive issue in the construction sector, as it is in the whole country. This is one of the legacies of apartheid.

This research encountered the reality of race and indeed of racism during the field work. At the outset the two white firms in the Gauteng sample refused to be interviewed. In all cases no clear reason was given. They were rather harsh in their dismissal of the researcher’s request for them to take part in the research. More often than not lack of time to partake in “none value adding activities” as one of the owner managers who refused to participate called it, was given as the main reason. Attempts were made to explain and justify the rationale and value addition of the research to the participating enterprises in particular and the industry as a whole but to no avail.

The other owner manager refused to take part in the research citing “security” concerns. He would neither expound on the nature of the security concerns nor accept assurances that this was research for the academic purposes.

All in all, the conclusion drawn from this experience is that there is a general sense of suspicion, fear and anxiety in the construction industry in the country among white owned medium sized construction firms. Respondent Four after much persuasion agreed to participate in only one part of the research, namely to discuss the role of the government. The respondent initially refused to take any other questions beyond the role of the government. The respondent relented and answered most of the interview questions after a good rapport had been developed with the researcher.

On the other hand the black owner managers (Respondents One, Two, Three and Five) despite also being very much under time pressure were more willing to participate in the research. Their desire to participate in the research was driven by three reasons, namely:

- a) to subject their firm's growth and evolution to an external assessment and review,
- b) assist them to review their business's past practices and performance, and
- c) lay the basis for them to strategize about the present and the future.

Indeed most respondents at the end of the interview and observation exercises called it an "educational experience" for themselves. In this respect Respondent Two (20 October 2010, interview) said that,

"The questions and issues you have raised have made me start to reflect on where my business has come from and more importantly what I may need to look at and address to move forward."

4.3.17 Gender

Based on the data presented by the Respondents as summarized in the introductions to sections 4.2.1 (a), (b), (c), (d) and (e) the issue of gender will be analyzed in this section.

Gender appears to also be a key driving factor in the construction industry. Only two women (black) were encountered in the sampling process. And both refused to participate in the research, citing time pressures. While indeed they may have had time pressure as every owner manager seems to in this industry, it was significant that they refused to participate after enquiring about the nature of the research and then requesting that the research questionnaire be sent to them. The researcher duly complied and sent questionnaires in both instances. On following up after the sending the research questionnaire both expressed unwillingness to participate.

The above sequence left the researcher with the view that perhaps the one hour interview time was too much for both of them. But this view has to be dismissed because the length of time of the interview was declared by the interviewer upfront during the first interaction. They requested for the questionnaire knowing fully well that it took about one hour of face to face interview time. The researcher is persuaded that it was the nature and content of the issues raised which did not sit well with the two owner managers hence their refusal to participate.

This encounter leads to the conclusion that women owner managers were uncomfortable to participate in this research, perhaps for time reasons as stated but more likely due to discomfort with the issues raised in this research questionnaire.

On the other hand it is significant to note that in one case the ownership of the business is officially shared with a woman. The woman is not involved in the day to day running of the company and is therefore a silent share holder. The rationale for the shareholding being extended

to the woman was that given that she is employed in a municipality she was expected to ‘assist’ the company to acquire business – in the constructing roads in the given municipality. However, this has not materialized, for undisclosed reasons. In the circumstances, the main proprietor has now decided to pay off the female share holder and buy back her shares. Explaining his perspective, Respondent One (30 October 2010, interview) stated that,

“She was supposed to bring the gender equality element and facilitate access to business opportunities. But she has not proved to be a key value addition to the business”.

It is clear that in this case the shareholding was extended with a view to have the woman shareholder use her ‘insider’ status to unduly influence the tendering process to the advantage of the firm in question. The intent was therefore clearly corrupt. It is to the woman’s credit that she has not fulfilled the expectation of unduly influencing municipal tendering procedures to advantage her company.

Another element of gender in the construction industry is that almost all the employees of all the respondent firms were male. Where women were employed it was in the office clerical, customer relations and administrative functions. There were no cases on women employed in the actual field functions of the enterprises interviewed. The observation has to be made therefore that there is active discrimination of women employees in the technical fields in the construction sector by most growing construction firms.

The discrimination is not even skills based as most of the employees of the growing construction firms actually acquired their skills while already working through on the job learning by doing. Women were clearly not afforded that chance to also learn by doing while on the job in these growing construction firms. This highlights the fact that owner managers of growing construction firms need to be sensitized and made aware of the need for equity particularly gender equity in their firms according to the requirements of the Employment Equity Act. Clearly they seem oblivious of that Act and its requirements.

4.3.18 Access to Finance

Based on the data presented by the Respondents as summarized in section (q) in Tables 4.1, 4.2, 4.3, 4.4 and 4.5 the issue of access to finance will be analyzed in this section.

Clearly two of the owner managers started their businesses from their own finances (Respondent Four and Respondent Five), from friends (Respondent One) and from parents (Respondent Three). This is clearly in line with the national and global trends as outlined by Falkena (2001) World Bank (2005) and FinMark Trust (2006) regarding the difficulties that owner managers face in accessing finance to start their businesses and therefore use their own, family and friends’ financial resources. This confirms the national and global trend that most owner managers face difficulties to start their businesses using finances from commercial sources of finances. In this case 80% of the owner managers in the sample mobilised own, family and friends’ finances to start their businesses.

Respondent Two accessed “limited credit” from a commercial bank as start-up funds. This is in line with national and global trends Falkena (2001) World Bank (2005) and FinMark Trust (2006) that commercial banks provide finances to a small number of owner managers to start their businesses. It is also significant that Respondent Two called the finances accessed from the commercial bank as “limited credit” seemingly implying that the funds were not as much as he would have liked.

It is also significant that all the Respondents confirmed that they now all operate accounts with commercial banks and that these accounts are crucial in their business operations. Enterprises Four and Five confirm having an overdraft facility with their bank. It is clear that while the business start-up process was largely achieved without assistances from commercial banks once they have been established and begin the growth process, banks become crucial and central to the operations and functioning of the enterprises.

Another aspect of the interplay between the growth process and access to finance is the provision of building materials to the contractors by the clients. This reflects the confidence of the clients in the contractors. The purchase of the materials by the clients is a form of financial subsidy to the contractors because they do not have to make a huge financial outlay upon commencing the projects. This reduces the financial strain the contractors face upon starting the project.

4.4 Chapter Summary

This Chapter has presented the data gathered during the field research. It presented the data which the research acquired from the interviewees in response to the research questions as presented in the data gathering tools, namely: the face to face interviews based on the Research Questionnaire, the telephonic follow up interviews, the follow up face to face interviews with some of the employees, the observation and the document analysis.

This chapter synthesized the large volume of data gathered into coherent information grouped and categorized according to the thematic sections of relevance to the research problem and research questions as well as from the literature review. The chapter reviewed and analyzed the data according to the following thematic areas: marketing strategy, structure of the business, nature and type of communication, culture of the firm, business and family, management of the books, profile of the workers, role of information technology, owner’s management style, role of government, the professional, technical, and academic background of the owner manager, race, gender and access to finance.

CHAPTER FIVE

SYNTHESIS AND ANALYSIS OF THE RESEARCH RESULTS

5.1 Introduction

Based on the data presented in Chapter Four section 4.2 **Presentation of Data** and the analysis in Chapter Four section 4.3 **Analysis of Findings** above, this Chapter synthesizes the data and findings above in relation to the Research Propositions. This Chapter will synthesize the data presented in Chapter Four sections 4.2.1 (a), (b), (c), (d) and (e). It will particularly focus on the data presented in the Tables 4.1, 4.2, 4.3, 4.4 and 4.5 to establish whether the data responds to the Research Questions and the Research Propositions.

This Chapter proceeds from the data presented, to an analysis of the extent to which this data proves or disproves the research propositions. This Chapter reviews the contribution of the following themes to enterprise growth: role of government, the professional, technical and academic background of the owner manager, race, gender, the reason for getting into business, marketing strategy, structure of the business, nature and type of communication, culture of the firm, business and family, management of the books, profile of workers, role of Information Technology, and owner's management style. This Chapter links the data from the field research to the research questions and the research propositions. This Chapter therefore synthesizes and analyses to determine whether the findings prove or disprove the Research Propositions.

5.2 Review of the Research Propositions

5.2.1 Proposition One (P 1): **The entrepreneur is the key driver of owner managed medium size construction enterprise growth and graduation in South Africa.**

This research has found that the entrepreneur is indeed the key driver of the growth process of construction firms from small to medium size. This research has found that it is the management decisions that the owner manager takes in relation to the following managerial areas: management style, structure of the business, marketing strategy, information technology, management of the financial records, business and family, and the nature and type of communication that drive the enterprise growth process from small to large. Each of these areas will be addressed each in turn, below.

5.2.1(a) Owner's Management Style

The role of the owner manager's management style in the small enterprise phase of the enterprise and later in the medium enterprise phase was presented in Chapter Four section O of 4.2.1, 4.2.2, 4.2.3, 4.2.4 and 4.2.5 and was analyzed in 4.3.14.

The owner manager's role and style were key determinants in the performance of the enterprise. They were decisive in whether the enterprise grew or not. The owner managers were grouped into two managerial styles using the theory X theory Y model. Theory X managers used directive techniques while Theory Y managers respected their employees and empowered them.

This research found that the owner managers had graduated from Theory X to Theory Y managers as the business had grown. At the formation of their enterprises they were very much in control of all the operations and activities in the business - marketing, book keeping, managing staff, supervision of work, procurement, ensuring compliance with the rules and regulations, client relations and the statutory reports to CIDB. The owner manager was involved in anything and everything to do with the firm with minimal or no delegation. They functioned as the Theory X manager.

With enterprise growth, they found out that they could not run the enterprise as Theory X manager given the increased range and complexity of the business operations. They had to change their style and approach to managing the enterprise to cope with the increasing demands. This necessitated the introduction of the middle manager position to share the work load of managing the firm. With the arrival of the middle manager in the firm, the owner manager realized that they had to undergo a fundamental transformation in their management style. They had to rely on and delegate significant powers and responsibilities to the middle manager to achieve their goals. This transformation of their role and management style and its impact on the business was one of the most significant findings of this research.

This research can indeed conclude that owner managers of growth construction firms in South Africa transformed from a directive Theory X management style to a Theory Y participatory type of management as the enterprise grew. They began to include their workers in the decisions on how best to execute the work and saw this as fundamental to the quality and timely completion of the work. This transformation was facilitated and also necessitated by the increasing professionalization of the workforce. The introduction of the middle manager cemented this transformation on role and management style.

5.2.1(b) Role of Information Technology

Based on the data presented by the Respondents as summarized in Tables 4.1 (i) 4.2 (i) 4.3 (i) 4.4 (i) and 4.5(i) the role that Information Technology has played at the outset of the enterprise and later in the medium enterprise phase were analyzed in section 4.3.13.

Information technology was both a cause and driver in the growth of construction firms. It facilitated increased and faster business processes and transactions. As the firm has grown the

role of IT has also grown within the firm. In the formative stages of the enterprises IT played a very minimal role based on land line telephones.

With enterprise growth, most business processes and transactions became computer and internet based. The use and cost of mobile phones for business communication increased thereby reducing the need for physical meetings for basic information sharing and routine progress reporting. Meetings became more strategic, work planning and problem solving in orientation. Mobiles phones became the communication device of choice in growing construction firms as IT advanced and usage costs declined.

As computer hardware and software costs declined and internet connectivity became prevalent they simplified and speeded up hitherto complex and time consuming processes especially the recording of business processes and financial transactions. The internet became the medium for sourcing business, tender bidding announcements, tender bidding forms, submission of tender forms, and advertising for new business. On line banking has transformed the way firms undertake financial transactions.

The use specialized software to track progress and to update the client on the progress has become prevalent in all growing construction firms. This has reduced the need for physical progress review meetings. The progress review meetings are now mostly held on site and are more focused on site inspections and are combined with particular problem solving.

The growing construction firms have adopted the technological advances both as a result of growth and as a vehicle for facilitating growth. To achieve greater efficiencies and reduce their labour costs, they have adopted the technological advances as a strategy for growth.

5.2.1(c) Management of the Books

Based on the data presented by the Respondents as summarized in Tables 4.1 (k) 4.2 (k) 4.3 (k) 4.4 (k) and 4.5(k) the manner in which the Respondents have managed the books at the outset of the enterprise and later in the medium enterprise phase was analyzed in section 4.3.11.

The owner managers have made key decisions on the management of the books that have facilitated the growth of the construction firms. At the outset the firms usually had relatively weak record keeping systems. In response to this weakness in the financial management system, the owner manager personalized and centralized all income receipts, payment for all expenditures and inventory management. Therefore all transactions had to be sanctioned by the owner manager himself. The pilferage of funds and materials that haunts every small enterprise was limited if not outright eliminated through this personalization and centralization of the financial transactions in the owner manager.

The scale, volume and intensity of the financial transactions increased as the enterprise grew. As a result the personalized and centralized financial management system became more and more difficult to implement. It also became a liability and a constraint to the operations of the business as all financial transactions had to wait for the physical availability of the owner manager.

Realizing the mismatch between the needs of the enterprise and financial management system, the owner manager undertook a review and decided to change the financial management system. The owner manager decided to contract the services of an external accounting firm to assist with the management of the finances.

The externalization and contracting out of the financial management had the result of improving the quality and timeliness of the financial transactions. Financial transactions could now be undertaken more quickly as they were no longer reliant solely on the physical availability of the owner manager. This increased the speed with which transactions could be undertaken thereby increasing the overall volume of business of the firm.

5.2.1(d) Business and Family

The responses to the questions on the interplay between business and family in the enterprises were analyzed in section 4.3.6 based on the summaries presented in introductions in sections 4.2.1(a), (b), (c), (d) and (e).

The mixing of business and family is central to the definition small enterprises. Business and family finances are mixed in a seamless line. Family members work in the business without any structured compensation. That business revenue is there to meet the needs of the family is understood by all.

A wedge develops between the enterprise and the family affairs as the enterprise grows. The owner manager hires more and more employees from the open market on the basis of their skills rather than their relationship to the owner manager. This dilutes the interrelationship between the business and family. The composition of the workforce begins to change with the preponderance of family members declining. Those that remain are in fact professionally competent in their areas of operation. In some unique cases competent and professionally qualified members of the family who had hitherto not partaken in the family business come to join the business on the basis of their professionalism and qualifications. This professionalization of the workforce further drives the growth of the business.

As the enterprise becomes more formal and professional, the owner manager places unqualified family members more and more in the background. The owner manager limits the role that unqualified family members play in the professional technical aspects of the enterprise as it grows.

5.2.1(e) Nature and Type of Communication

Based on the inputs from the Respondents as summarized in Tables 4.1 (r), 4.2 (r), 4.3 (r), 4.4 (r) and 4.5 (r). the nature and type of communication utilized by each enterprise was analyzed in section 4.3.2.

At the beginning in the small construction firm all communication was face to face and directed by the owner to the employees. The owner manager gave all the work instructions largely through word of mouth. Written work instructions were rare if at all, therefore, there was no paper trail of the work history and the work instructions.

Fundamental changes in the manner in which communication is handled in the enterprise occur when the owner manager decides to transform the structure of the company from a flat to a more triangular structure. The owner manager's communication within the company shifted from the employees to the middle manager consistent with his changing role. This transformation was replicated amongst all the respondents.

The change in the structure of the enterprise as it grows, necessitated the owner manager to make the following changes in the nature and type of communication in the enterprise:

- a weekly site meeting
- the owner manager meets the family member every evening to debrief about the on goings at the enterprise for that day
- very frequent, intense and deep communication between the owner manager and the supervisor
- extensive and intensive planning meetings between the owner manager, the supervisor and the administration officer at the beginning of the execution of a contract
- a progress report document
- Communication is mainly through the cell phone.

From these changes it is clear that the owner develops a new communication system of the firm, to achieve growth. This illustrates that a clear and comprehensive communication strategy lies at the heart of the growth process, designed and driven by the owner manager. Clearly one of the key reviews an owner manager undertakes as his firm embarks on growth is the review of the communication requirements, design and implementation of a clear simple practical communication system which places him at the centre. The owner manager moves the communication of the enterprise from a face to face based system to an electronic based system which is more formalized and structured.

The owner manager is lynchpin of a communication system that drives the work of the enterprise. The replacement of the physical presence of the owner manager at the work site with his presence at the centre of a virtual communication web is one of the key drivers of growth. The dramatic developments in IT have facilitated this process.

5.2.1(f) Structure of the Business

Based on the data presented by the Respondents as summarized in Tables 4.1 (n,o,p) 4.2 (n,o,p) 4.3 (n,o,p) 4.4 (n,o,p) and 4.5(n,o,p) the issue of the organizational structure at the outset of the enterprise and later in the medium enterprise phase was analyzed in section 4.3.10.

The organizational structure of the small enterprise phase was very flat and the owner manager was in control of all aspects of the enterprise's life. The owner manager was involved in all the big and small decisions of the firm. The owner manager was in direct everyday contact with every employee in the firm and was personally and on a first name basis. The work instructions were given largely through word of mouth by the owner manager directly to each employee for every task to be performed.

When the firm grew, however, the owner manager was not able to be at the centre of all the business activities. As the number of employees grew, the owner manager decided to introduce a middle management level. The result was that new work methods and new procedures for the delivery of work instructions to the employees had to be devised. This took the firm more towards the path of structured communications and work management. The result was a more hierarchical organizational structure with bureaucratic and formal processes.

The owner manager now had to deal with the employees through the middle management. Work schedules we discussed with the middle managers and then communicated to the employees by the middle managers.

The introduction of a middle management layer allowed the owner manager time to focus on the more strategic aspects of the business, namely: identifying new customers and negotiating new business deals, interacting with the government officials to comply with regulations and to influence the macro-economic environment.

5.2.1(g) Marketing Strategy

The marketing strategies of the enterprises were discussed in the context of the markets and marketing communication of each enterprise as summarized in Tables 4.1 (i and j), 4.2 (i and j), 4.3 (i and j), 4.4 (i and j), and 4.5(i and j) and analyzed in section 4.3.6.

The marketing strategy chosen by the owner manager was a key determinant of growth in this research. In all cases the respondents chose a niche marketing strategy - where they focused on one particular segment of the construction industry. They did not seek to serve many different segments. Based on their competitive advantage they carefully selected one segment and then focused on providing quality service to the customers in that selected market segment.

The respondents served the following market segments:

- Municipal feeder roads,
- Middle income housing
- High Income housing
- Municipal buildings
- Sub-contracting from big construction firms on large construction sites.

The growth of the firms in this research was clearly driven by the marketing strategies chosen by the owner manager. They developed deep, sustained and very close relationships with their clients in each of the market segments chosen resulting in guaranteed sources of business over a long period of time.

In summary therefore, this research has proven that the owner manager's decisions in the areas of management style, structure of the business, financing of the business, marketing, business and family, management of the accounts, communication strategy and procedures and role of IT are the basis on which growth is achieved.

Based on the above findings, this research has therefore PROVED Proposition One (P1) The entrepreneur is the key driver of owner managed medium size construction enterprise growth and graduation in South Africa.

5.2.2 Proposition Two (P 11): The entrepreneur is the main inhibitor of growth and graduation in owner managed medium size construction enterprises in South Africa.

This research has encountered instances when the owner manager has been the inhibitor of growth. These relate to:

1. the employment of his son by Respondent One,
2. the continued engagement in a full time job by Respondent One at the expense of his full time employment by the company, and
3. the selection of the 'wrong' marketing strategy by Respondent Three.

Each of these will be reviewed below to highlight how they inhibited the growth of the respective enterprises.

5.2.2(a) Employment of Respondent One's Son

The issues on Respondent One's employment of his son are presented in the Introduction of 4.2.1a and analyzed in section 4.3.6 paragraph seven

Respondent One's son is employed as the administrator of Enterprise One after dropping out of university. He is therefore employed in the enterprise more because he is the owner manager's son than because of any professional competencies as an enterprise administrator. Respondent One agrees that employing of his son in the business has blurred the line between business and family. He is not convinced about the real value that the son adds in the company. He observes that the son relates with him as Father rather than as the owner manager of the business as outlined below. Respondent One (23 September 2010, interview) observed that, the sons' employment situation in the business needs be addressed in time.

5.2.2 (b) Continued Engagement in a Full Time Job by Respondent One

The issues on Respondent One's continued full time employment and its impact on the business are presented in the Introduction of 4.2.1a and analyzed in section 4.3.10.

Respondent One is a full time employee of MEDUNSA as an Administrator based at the MEDUNSA campus, Ga - Rankuwa, Pretoria North. Respondent One maintained his regular job as an Administrator at the MEDUNSA because of the need to maintain dual sources of income. The income from the business has increased significantly with time but Respondent One has not

felt inclined to leave his regular job because he is close (5 years) to the retirement age and looks forward receiving his pension benefit.

Respondent One has not paid full attention to the needs of the enterprise by maintaining a full time job. The pace at which financial procedures and transactions can be undertaken in the enterprise are designed around his availability during the working day given that he retains full control of the levers of the company. Since most of his working day commitment is to his full time job, this slows down the pace of the business processes. This decision to retain a fulltime job at MEDUNSA Respondent One has indeed hindered the growth prospects of the enterprise.

5.2.2 (c) Selection of the ‘wrong’ marketing strategy by Respondent Three

The selection of the ‘wrong’ marketing strategy by Respondent Three was presented in relation to Table 4.3 (i,j) and was analyzed in section 4.3.6.

Enterprise Three used to have 4 full time marketing persons in the employ of the company who were paid a basic salary. In addition they got a commission for the number of clients they brought into the company per month.

When the National Credit Act was promulgated it resulted in decreased access to housing finance which was so crucial to the clients of Enterprise One. As a result, the marketing agents did not bring in that much business. The combination of a basic salary plus commission failed to motivate the marketing agents to work hard to bring in the expected high volumes of business.

Respondent Three fired the marketing agents thereby reducing the office, space, and stationary requirements of the marketing agents. The shows and exhibitions which the marketing agents used to do were also cancelled thereby reducing costs. Through all these cost cutting measures the marketing budget went down by more than 70%. The marketing budget contribution to total operating costs reduced from 35 % to 15 %.

Respondent Three decided to outsource the marketing function to staff of the estate agency to reduce costs. In addition the firm also decided to outsource the marketing function to “protect the image of the company” from the clients in case there were problems. Working through the estate agent and the estate agent marketing personnel meant that the company was no longer the one directly exposed to the market. But clearly the strategy to protect the image of the company by removing from the direct visibility of the clients also contributed to the loss of business.

Through this new marketing approach the company lost direct contact with prospective clients. It can be surmised that this new marketing approach reduced the firm’s capacity to attract new clients in a vigorous manner. It is debatable whether the loss of clients and the resultant loss in revenue is more because of the effect of the Global Financial and Economic Crisis or indeed the National Credit Act, on the one hand or the new weak marketing strategy on the other.

The revenue began to climb up towards the end of 2010. This is despite the continued existence of the National Credit Act. This is attributable to two factors: the gradual economic recovery from the impact of the crisis and the change in marketing strategy.

The second point is deserves being pursued some more. When the researcher interviewed Respondent Three for the first time, he was very much interested in the questions and discussion on the marketing strategy. Based on the debate on the efficacy of the marketing strategy of using the Estate Agent marketing personnel came a realization on his part that the decline in revenue was perhaps in a large part due to an ineffective marketing strategy.

Based on this, Respondent Three sought advice from other market players in his network. He was guided to an internet web site where clients with secured finance seek construction firms to build their properties for them. This is a better market segment as they have already secured finance. Based on this Respondent Three is now experiencing increased volume of business again. This proves the point that the growth of the business lies with the quality of the marketing strategy decisions that the owner manager makes.

Based on the above analysis, the research has therefore
PROVED Proposition Two (P 11): The entrepreneur is the main inhibitor of growth and graduation in owner managed medium size construction enterprises in South Africa.

5.2.3 Proposition Three (P 111): Macroeconomic factors are key but not the decisive driver for growth and transformation of owner managed medium size construction enterprises in South Africa.

This research was undertaken during the period of the Global Economic and Financial Crisis (GEFC) 2008 - 2010. The impact of the GEFC on the South African economy was very dire. However given the construction boom because of the Soccer World Cup 2010, the construction sector was spared the severe impact of the GEFC. The construction boom of the Soccer World Cup 2010 benefited most construction companies.

The positive impact of the Soccer World Cup on the one hand and the negative impact of the GFEC and the National Credit Act were presented in relation to sections (i,j,u,v) in Tables 4.1; 4.2; 4.9; 4.4; and 4.11. They were analyzed in section 4.3.6.

In October 2008, the SA economy sunk into its first official recession since the advent of democracy in 1994, marking the end of 55 quarters of uninterrupted positive growth. While South Africa's economy grew at an average of almost five percent annually between 2001 and 2007 (SARB 2009 Economic and Financial Data) in the last quarter of 2008 South Africa reported its first negative growth rate of -0.73 percent in seasonally adjusted, annualised quarterly gross domestic product, thus ending 17 years of positive economic growth for the economy. The contraction in GDP was coupled with an equally severe decline in employment performance. Employment declined in quarter one of 2009 by 1.5 percent, and continued to decline at an increasing rate for at least three consecutive periods. By the third quarter of 2009 employment growth in the South African economy was negative 3.64 percent.

Table 5.1: Growth Rates in Employment and GDP, Pre- and Post-Crisis



Source: SARB 2009 Economic and Financial Data, Statistics SA LFS (September 2000-September 2007, QLFS (2008:Q2- 2009Q3)

Since the first negative growth rate in GDP was recorded in the third quarter of 2008 for South Africa, the period from Q3: 2008 is referred to as the ‘post-crisis’ period, while the years prior to Q3: 2008 are noted as the ‘pre-crisis’ period in the remainder of this paper. In order to briefly analyse how the global financial crisis rapidly manifested itself as a real economy crisis in South Africa, Table below provides a general overview of shifts in key macroeconomic indicators during the pre- and post-crisis period.

Table 5.2: Growth Rates in Macro Indicators, Pre- and Post-Crisis

Indicator	Mean		Mean Growth Rates	
	Pre-Crisis 2001:1-2008:2	Post-Crisis 2008:3-2009:3	Pre-Crisis	Post-Crisis
GDP (USD billions)	1,509	1,797*	4.28%	- 1.73%*

Inflation (seasonal)	5.65	8.83**	10.33%	- 10.5%
Interest rate	9.57	9.47	4.14%	- 21.25%***
Money Aggregate (M3) (USD billions)	1,005	1,917*	18.61%	6.38%*
Credit extension (USD billions)	1,068	2,032*	16.33%	6.59%**

Source: SARB 2009 Economic and Financial Data, Statistics SA

Note: Asterisk (*) denotes statistically significant change at one percent level, (**) at five percent level and (***) at ten percent level.

The GDP grew on average at 4.28 percent per annum in the pre-crisis period. The mean growth rate in GDP declined to -1.73 percent in the post-crisis period. The worst economic contraction of -7.76 percent occurring in quarter one of 2009 to highlight the impact of the financial and economic crisis. This research found that despite the severe impact of the GEFC on the economy in general and the construction sector in particular, only one of the respondents mentioned the impact of the GEFC on its business operations. Respondent Three outlined the impact of the GEFC on his company and the counter strategies that he undertook. The other four enterprises while benefitting from the positive macro-economic factors clearly managed, for the most part, to withstand the negative macro-economic factors that came with the FEFC.

The focus of Enterprise Three is affordable housing financed by the commercial banks through mortgage finance. The company's target is the housing estate development market especially in the Pretoria North West park area. The company builds houses in the range of R150 000 - R 800 000. The clients are now expected to contribute 10 – 25 % of the total mortgage price. The firm sells “off plan” houses – yet to be built houses which are still at the plan stage.

The company was “hit very hard” by the Global Financial and Economic Crisis. The GFEC resulted in many company closures and considerable down size of those which did not close. The effect of the company closures and the downsizing was that they retrenched many of their employees. It is estimated that about one million working people lost their jobs due to the GFEC (STATSSA, LFS Q2, 2010). The GFEC destroyed the earning capacity of a large section of the market through retrenchments. The net effect was that the customer base of Enterprise Three declined resulting in a steep decline in the sales and revenue of the enterprise. Because of the GFEC the enterprise has closed the posh offices it used to lease and has moved to sub lease from an estate agency. This was a move to reduce the costs of running the enterprise.

The National Credit Act also impacted negatively on the market in terms of affordability. Banks used to pay 100% of the bond but after the National Credit Act the clients now have to pay at least 10% deposit on loans above R400 000. Most of the clients struggle to raise the 10% deposit and therefore abandoned or postponed the decision to purchase new properties. The decline in the number of clients has resulted in reduced work load for the owner manager's PA. The PA

now does the business's administration, client relations, manages the diary of the owner manager. The PA has a permanent contract with pension, annual bonus, maternity leave, medical aid.

The firm now does not employ any part time workers anymore. The Firm now contracts sub-contractors firms which then under take the work with their employees. The workers are in the employ of the sub-contractors. The part time workers have short term contracts which are only wage based. But they have work insurance. The sub-contractors are obliged to provide medical and insurance cover for their employees.

The annual turnover of the firm rose from less than R100 000 at the beginning in 2005, to over R5 million by 2008 and then it fell to R1.5 million in 2009 due to the GFEC.

To illustrate the impact of the National Credit Act, in the one case a client applied for a housing loan of R782 000 which was approved by the bank. The bank will only provide R 605 000. The balance of R 177 000 had to be provided up front by the client as deposit before the R605 000 can be released by the bank. The client can afford to pay the loan repayments per month. But cannot afford the deposit of R177 000 and therefore the client could not take up the loan. As a result the firm could not build the house for the client. This case shows how the firm has lost clients and market share due to the National Credit Act.

The banks had a lot of houses repossessed from clients who could not pay their mortgage repayments. The banks were therefore limiting their risks by not lending as freely as they used to in the past. The banks had to auction the houses in their portfolios hence their reluctance to fund new clients for mortgage loans.

The access to finance is a key element of the macro-economic environment. The findings of this research showed that 80% of the respondents started the businesses with funds from personal saving, family and friends. Only one of the respondents had received "limited credit" from a commercial bank. It is clear that the source of start-up funds is not a key determinant of the growth prospects of an enterprise. What is crucial to the growth process however is the possession of a bank account and, in many instances, the operation of an overdraft facility. It is clear that the establishment of a solid functional relationship with the bank is a key determinant in the growth process.

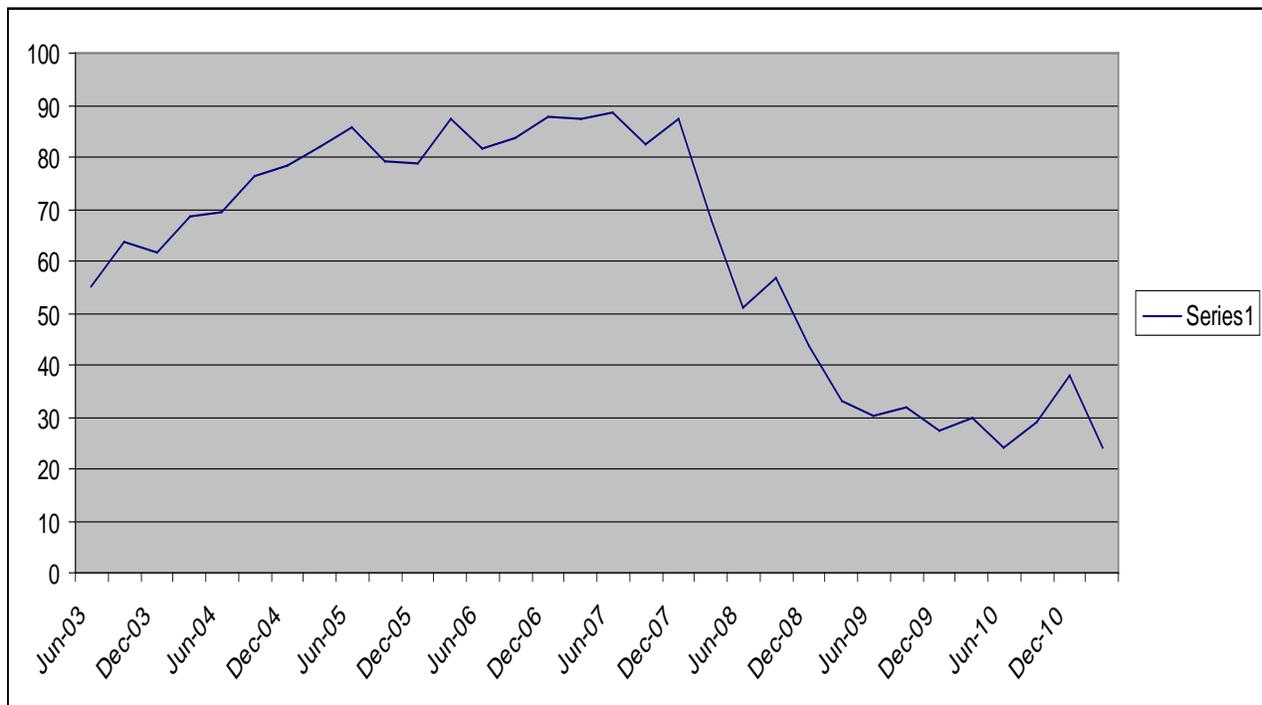
*Based on the above analysis, **this research has therefore PROVED Proposition Three (P 111): Macroeconomic environmental factors are a key but not the decisive driver for growth and transformation of owner managed medium size construction enterprises in South Africa.***

5.2.4 Proposition Four (P 1V): The growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of owner managed medium size construction enterprises in South Africa.

The growth and competitiveness of the industrial sub sector and its impact on the growth and the competitiveness of owner managed medium size construction was presented in relation to sections (i,u,v) in Tables 4.1; 4.2; 4.3; 4.4 and 4.5 and were analyzed in Section 4.3.6.

In the period 2004 – 2010, the building industry in South Africa experienced an era of sustained growth because of the infrastructure development programme for the Soccer World Cup 2010. In that period about R787 billion was invested in the construction of stadia which were to be venues for the 2010 Soccer World Cup, roads and railway infrastructure. This investment uplifted the whole construction industry. This investment reflected itself in the FNB / BER, FNB Civil Engineering and the RMB / BER BCL building confidence indexes. These three indexes are presented and explained below.

Figure 5.1: FNB / BER Building Industry Confidence Chart

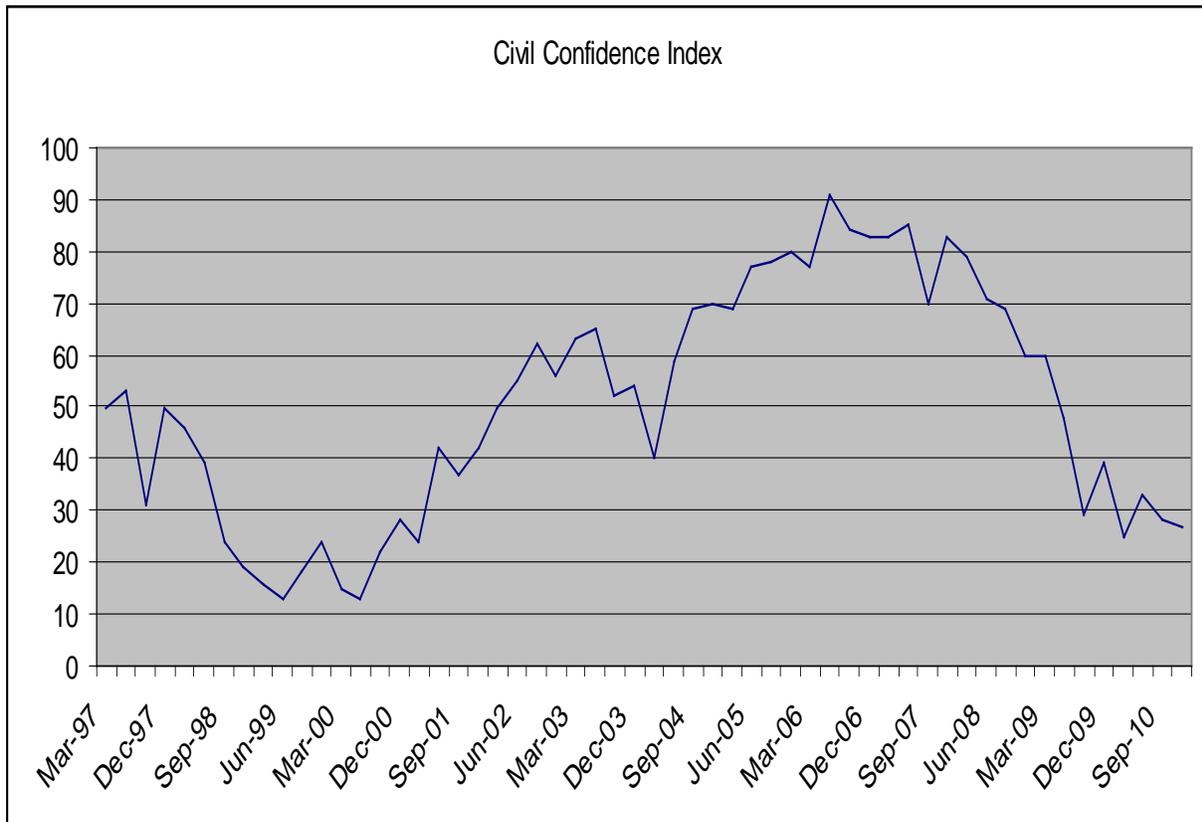


Source: www.ber.ac.za

The FNB / BER building confidence index covers the activities from planning (represented by the architects and the quantity surveyors), renovations (retail trade of building materials) and production (manufacturing of building materials) to the actual construction of buildings by main and sub – contractors. This index is therefore most representative of the whole construction and

building industry. As shown by the graph above, its trend confirms that the building industry was on an upward and high growth path in the period from the 2000 – 2008 because of the massive investments related to the 2010 World Cup construction. A sharp decline set in in 2009 on the because of the completion of the 2010 Soccer World Cup construction on the one hand and the impact of the Global Financial and Economic Crisis.

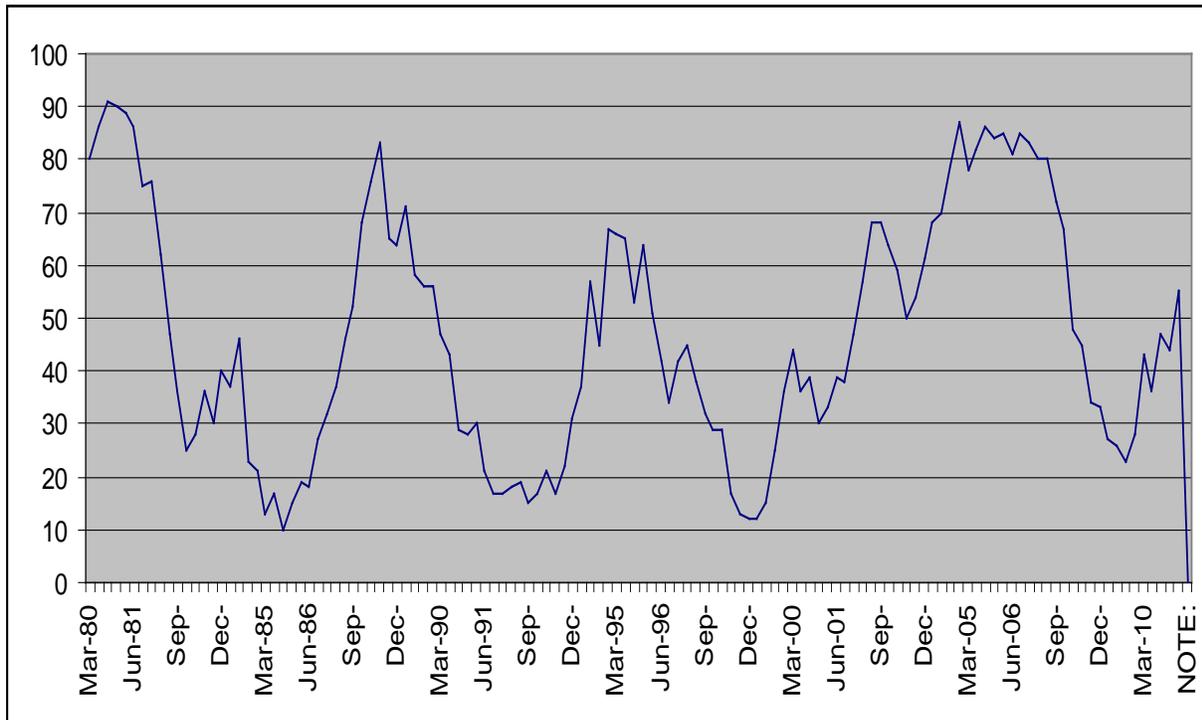
Figure 5.2: FNB Civil Engineering Business Confidence Index



Source: www.ber.ac.za

The FNB Civil Engineering Index covers business sentiment of the civil engineers. The index also shows that from 2000 to 2008 the industry experienced a sharp upward trend because of the massive investments related to the 2010 World Cup construction. However by 2009 the trend declined dramatically because of the completion of the 2010 Soccer World Cup construction and the impact of the Global Financial and Economic Crisis.

Figure 5.3: RMB/BER Business Confidence Index



Source: www.ber.ac.za

The RMB / BER BCL building contractors index focuses on the building contractors. The Index shows that the building contractors segment of the industry has been marked by very high swings in business sentiment and confidence based on the fluctuating realities of the industry in the period since 1980.

The index also shows that from 2000 to 2008 the industry experienced a sharp upward trend on the back of the massive investments related to the 2010 World Cup construction. However, as already shown by the other two Indexes above, by 2009 the trend had begun to decline dramatically due to the ending of the 2010 Soccer World Cup construction boom and the impact of the Global Financial and Economic Crisis.

The three Indexes above show that the period 2000 – 2008 was a high growth period for the construction sector. This research has also shown that the majority of the construction enterprises were formed just before or at the beginning of this boom. One conclusion that can be drawn is that the Respondent Enterprises experienced growth on the back of overall rapid growth in the sector. Thus this research has observed that enterprise growth does need an enabling sub sector growth environment.

Another observation that can be made however is that even when the construction sector began to decline in the period 2008 – 2010, all the Respondent Enterprises except one continued to experience growth. Only Respondent Enterprise Three experienced significant decline in performance and profitability.

This decline, as already analyzed elsewhere in this report, was more because of the owner manager's marketing strategy response to the impact of the National Credit Act. By dissolving the Enterprise's marketing department and out sourcing the marketing function the Respondent Enterprise Three divorced itself from its clients and therefore suffered a dramatic decline in business. When the owner manager Respondent Three has changed his marketing strategy and reclaimed the marketing function again and placed his company on an industry website, business has begun to pick up again. This experience of Respondent Three proves that business decline and growth in a declining industry has more to do with the quality of management decisions than the overall performance of the industry sub sector.

*Based on the above analysis, this research has therefore **PROVED Proposition Four (P IV): The growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of owner managed medium size construction enterprises in South Africa.***

5.3 Revisiting the Main Research Question

The main question which this research has sought to answer is:

Is the owner manager of a medium size construction enterprise the main driver of growth and graduation, and what role does he or she play and how does he or she facilitate the growth and graduation of an owner managed small construction enterprise into medium size construction enterprise in South Africa?

This research has proven through the data presented in Introductions of 4.2.1 (a), (b), (c), (d) and (e) and the Tables 4.1; 4.2; 4.3; 4.3; 4.4 and 4.5 and analyzed in sections 4.3.1 – 4.3.14, that the owner manager of the respondent enterprises is the fulcrum upon which all the major decisions in the enterprise revolve. It is the quality of these decisions that drive or hinder the growth process. The owner manager makes the key decisions regarding:

- the role and nature of interaction with the government,
- the structure of the enterprise and the roles and responsibilities of the staff within the enterprise,
- the marketing strategy,
- the quality and skill level of the staff,
- the role information technology, the nature and type of communication within the enterprise and between the enterprise and its external stakeholders,
- the culture of the enterprise,
- the interaction between the business and family and,
- the management of the book of accounts.

It is the cumulative impact of these decisions that the owner manager makes that propel the enterprise to growth. This confirms that the entrepreneur is the main driver of enterprise growth and graduation from small to medium enterprise size through the decisions that he or she makes. This research has also identified that it is not only the decisions that the owner manager makes that matter. It is also the management style that the owner manager adopts that facilitates or hinders growth. The owner manager needs to adopt a participatory management style which empowers the staff, to facilitate enterprise growth and transformation.

Based on the data presented in relation to sections (i.u.v) of Tables 4.1, 4.2, 4.3, 4,10 and 4.5 and analyzed in section 4.3.6 this research has dealt with the issue of the impact of the macroeconomic environment on the growth of the owner managed construction enterprises.

Focusing on growth, this research has identified the key drivers of why some owner managed construction enterprises firms grow and others do not. The research has identified the macroeconomic environment as a key driver of the performance of the whole economy.

A key element of the construction industry which positively benefitted the enterprises in the period 2002 – 2010 is the construction boom experienced because of the Soccer World Cup 2010. The construction bonanza was based on the ten new stadia to be build or renovated and the accompanying road infrastructure. This played a key factor in the positive growth experience by most of the firms in the industry.

The South African economy performed well in the period 1994 – 2008. The good performance of the economy in the period 1994 – 2008, had a positive spillover effect on the construction sector and the enterprises in that sector. This proves that the macroeconomic environment is a key driver of growth and competitiveness.

However, starting in 2008, the GEFC set in. The impact of the GEFC on the economy was very severe. The GDP declined dramatically and the inflation rose. This impacted the whole economy. Added to this was the impact of the newly introduced National Credit Act. The National Credit Act made access to credit especially for housing loans more difficult.

Despite the combined negative consequences of the GEFC and the National Credit Act, the majority of the respondent enterprises continued to experience growth. One respondent enterprise suffered a dramatic decline in sales and growth in this period. This was more because of the ‘wrong’ marketing strategy it chose to respond to the overall down turn in the economy. Significantly, when the owner manager adjusted the marketing strategy, sales and growth have begun to pick up again. This proves that a positive macroeconomic environment is crucial as a driver of growth but is not a decisive factor because even when the macroeconomic environment turns negative, growth firms are able to maintain their growth path. So, in conclusion, the macroeconomic environment is a necessary but not sufficient condition for enterprise growth.

The above conclusion on the macroeconomic environment is also true of the industrial sub sector competitiveness and growth’s impact on the growth of enterprises in that industrial sub sector. As the economy has grown, so has the construction industry.

Within the period 2000 - 2008, the construction industry has also been performing well on the back of the good macro-economic performance. As a result the RMB / BER and the FNB / BER Business Confidence Indexes have been on a gradual upward trend.

The Respondent Enterprises in this research clearly benefited from this gradual upward trend in the economy in general and the construction industry in particular. The Respondent Enterprises experienced sustained growth in this period as well. This confirms that growth enterprises benefit from a growing and competitive industrial sub sector. However, the industrial sub sector took a negative turn on the back of the GEFC, the National Credit Act and the end of the 2010 Soccer World Cup construction boom in the period 2008 – 2010. Despite this, the majority of the respondent enterprises continued to enjoy significant growth. This leads to the conclusion that the growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of SMEs.

5.4 Chapter Summary

5.4.1 Summary of Data versus the Research Propositions

The Table below presents a summary of the propositions, the data, analysis of the data and the conclusion related to each proposition.

Table 5.3: Summary of Propositions

Proposition	Presentation of Data	Analysis of Data	Conclusion
Proposition One (P 1): The entrepreneur is the key driver	Introductions 4.2.1 (a), (b), (c), (d), (e); Tables 4.1, 4.2, 4.3, 4.4 (o) and 4.5(o) (i) (k) (r) (n,o,p) (i and j)	5.2.1 (a), 5.2.1(b), 5.2.1 (c), 5.2.1 (d), 5.2.1 (e), 5.2.1 (f) and 5.2.1 (g)	Proved
Proposition Two (P 11): The entrepreneur is the main inhibitor	Introduction of 4.2.1a, Table 4.3 (i,j)	5.2.2. (a), 5.2.2 (b) and 5.2.2 (c)	Proved
Proposition Three (P 111): Macro economic environmental factors	Tables 4.1; 4.2; 4,9; 4.4; and 4,11 (i,j,u,v)	5.2.3	Proved
Proposition Four (P 1V): The growth and competitiveness of the sector	Tables 4.1; 4.2; 4.3; 4.4 and 4.5 (i,u,v)	5.2.4	Proved

5.4.2 Summary of Research Findings versus Research Question

The main question which this research has sought to answer is:

Is the owner manager of a medium size construction enterprise the main driver of growth and graduation, and what role does he or she play and how does he or she facilitate the growth and graduation of an owner managed small construction enterprise into medium size construction enterprise in South Africa?

This research has proven through the data presented in Introductions of 4.2.1 (a), (b), (c), (d) and (e) and the Tables 4.1; 4.2; 4.3; 4.3; 4.4 and 4.5 and analyzed in sections 5.2.1 (a) – (g), that the owner manager of the respondent enterprises is the central figure in the enterprise who initiates. Makes and approves all the key decisions. It is the appropriateness, correctness and relevance of these decisions that facilitates or hinders the growth process. It is through the impact of these decisions, not in isolation but in aggregate, that the owner manager facilitates the growth of the enterprise. This is the key finding of this research and it confirms that the entrepreneur is the main driver of enterprise growth and graduation from small to medium enterprise size through the aggregate effect of the decisions that he or she makes.

Another key finding of this research is that beyond the content of the decisions, management style also matters. The management style that the owner manages adopts is also a driver of enterprise growth. The owner manager needs to adopt a participatory management style which empowers the staff, to facilitate enterprise growth and transformation.

The three Indexes in 5.2.4 have shown that the construction industry experienced phenomenal growth in the period 2000 – 2008. This research has also shown that the majority of the construction enterprises were formed just before or at the beginning of this boom. Another conclusion from this research is that the Respondent Enterprises experienced growth in tandem with or taking advantage of the overall rapid growth in the sector. This research has concluded that enterprise growth does need an enabling sector growth environment. The growth and competitiveness of the sector had a positive impact on the growth and the competitiveness of owner managed medium size construction in this research.

Once these enterprises had begun on the growth path, negative developments in the macroeconomic environment, such as the impact of the GEFC and the National Credit Act, did not dislodge these enterprises from the growth path. All the respondent enterprises continued to experience growth, except one. One respondent enterprise suffered a dramatic decline in sales and growth in this period, more because of the ‘wrong’ marketing strategy it chose to respond to the overall down turn in the economy. Importantly, when the owner manager adopted a better marketing strategy, sales and growth picked up again. This proved that a positive macroeconomic environment is a necessary but not sufficient condition for enterprise growth.

CHAPTER SIX

ADDRESSING THE ‘BLACK BOX’ OF ENTERPRISE GROWTH: *CONTRIBUTION TO KNOWLEDGE AND LITERATURE*

6.1 Introduction

Based on the data presented in Chapter Four **Drivers of Construction Enterprise Growth: Presentation of Empirical Findings** and Chapter Five **Synthesis and Analysis of the Research Results**, this Chapter reviews and highlights the contribution of findings of this research to the body of knowledge and literature on enterprise growth thereby unlocking of the “black box” identified by Freel (2000). This Chapter proceeds from the literature reviewed to the data presented and the subsequent analysis to an identification of the value addition that this research is making to the body of knowledge and literature. This addition to the body of knowledge and literature contributes to the opening of the ‘black box’ of enterprise growth.

This Chapter reviews the contribution of this research to the following themes in enterprise growth: role of government, the professional, technical and academic background of the owner manager, race, gender, the reason for getting into business, marketing strategy, structure of the business, nature and type of communication, culture of the firm, business and family, management of the books, profile of workers, role of Information Technology, and owner’s management style. This Chapter links the data from the field research to the existing knowledge and literature as mechanism of identifying and highlighting the new insights on enterprise growth from this research. This Chapter therefore opens the “black box” of enterprise growth.

6.2 Review of the Enterprise Growth Themes and New Insights

This research has found that the entrepreneur is indeed the key driver of the growth process of construction firms from small to medium size (Chapter Five, section 5.2.1). This research has found the following themes to be the key drivers of the growth of construction enterprises and they all revolve around the owner manager:

- i. professional, technical and academic background of the owner,
- ii. reason for starting the business,
- iii. management style,
- iv. structure of the business,
- v. role of government,
- vi. marketing strategy,
- vii. information technology,
- viii. gender
- ix. management of the financial records,
- x. workers profile,

- xi. business and family,
- xii. and the nature and type of communication.

Each of these areas will be addressed in turn below relating the findings from this research to the existing knowledge and literature.

6.2.1 The Professional, Technical and Academic Background of the Owner Manager

Based on the data presented by the Respondents as summarized in Tables 4.1 (c) 4.2 (c) 4.3 (c) 4.4 (c) and 4.5(c) and the existing knowledge and literature the contribution to knowledge of this research on the professional, technical and academic background of the Respondents and their impact at the outset of the enterprise and later in the medium enterprise phase will be analyzed in this section.

The growth of an enterprise is largely driven by the quality of the decisions that the owner manager makes in the running of the business. The quality of the owner manager's decisions is an outcome of the professional, technical, and academic background of the owner manager in question. Despite some differences, the profile of the owner managers who were the respondents in this research had some common characteristics. The most basic characteristic was that all the respondents had primary and secondary education. A key conclusion from this observation is that, having the basic educational acumen is crucial to managing a business for growth. The basic mathematical skills acquired during primary and secondary education are required for doing the income and cost calculations, material requirement calculation, and the cash flow planning for each work project and for the overall businesses.

An aspect of the interplay between construction business growth and primary and secondary education is the English and Afrikaans communication. The languages of business in South Africa are English and Afrikaans. Both languages are learnt at school for the majority of the black population. At home the African population learns and speaks the indigenous languages like Pedi, Venda, Tshonga, SeSotho, Zulu or Xhosa. Therefore the black owner managers need to systematically learn the key business languages, English and Afrikaans in primary and secondary school. Official business communication through written English and Afrikaans is the basis on which the business transactions required for growth are made. Another key conclusion is that for the owner managers of construction growth firms primary and secondary education provides them with the business language skills essential for growth business transactions.

A second common characteristic of all the owner managers was that they had a tertiary qualification. They all had a diploma or a degree qualification but interestingly, none was in the construction industry. A key conclusion from this is that tertiary education provides analytical and decision making skills which are important and indispensable in managing a construction business for growth. The value of the tertiary education is in the analytical and decision making skills which it provides rather than the industry specific knowledge it imparts. It is these analytical skills which assisted these owner managers to analyze their businesses make the decisions required to facilitate growth.

The value of tertiary education as providing a network of associates and friends who facilitated the business growth in a variety of ways was also stated by the respondents. The variety of contacts and relationships who offered a variety of material and none material support to the owner manager also facilitated the business growth process. The owner manager sought information and advice from the tertiary college network of friends and associates. The professional network is a key source of information, advice and support in the pursuance of various aspects of the business transactions which facilitate growth. The professional network, while comprising a diverse group of people, seems to have at its core the friends and associates from the tertiary institutions. The tertiary education “old boys” are at the centre of the professional network that the owner managers leverage in the conduct of their business transactions to facilitate growth.

In conclusion then, tertiary education makes three distinct contributions to the owner manager as he or she pursues growth, namely:

- Provision of particular technical and managerial skills,
- Development of an analytical capacity to identify and tackle challenges faced in the growth process,
- And the creation of an “old boys” network of trusted friends and associates who will form the core of a professional network which provides information, advice and support in the growth process.

This research confirmed the findings of Rodgerson (2000: p. 689/703) Wiklund and Shepherd (2003: p. 1924/1933), Kaikkonen (2006: p. 91) that the most distinguishing feature of growth small enterprises is the educational qualifications. This research however added to the existing body of knowledge through its insights on primary, secondary and tertiary education and the contribution they make to the business growth process as outlined above.

6.2.2 The Reason for Getting into Business

Based on the data presented by the Respondents as summarized in the introductions to sections 4.2.1 (a), (b), (c), (d) and (e) and the existing knowledge and literature the contribution to knowledge of this research on the reasons why the Respondents got into business in the first place will be analyzed in this section.

Literature on small business growth (Mead and Lindelholm, 1992) has often referred to the reason for getting into business as a key distinguishing feature of those owner managers who grow their businesses compared to those who run survival businesses. This research found that these owner managers who grew their businesses had two groups which had different reasons for getting into business – passion for the business (Enterprise Three, Four and Five) and economic necessity (Enterprises One and Two).

The first group, who got into the business because of passion, driven by entrepreneurial spirit, supports the small business growth literature as outlined by Mead and Lindelholm (1992). This

shows that indeed the reason for going into business (driven by the entrepreneurial spirit) can be used as proxy for selecting those firms that are most likely to grow. This research therefore confirms the findings of Rodgerson (2000: p. 711) Mead and Lindelholm (1992) that the enterprises that have the propensity to graduate are more likely to have been established as a result of voluntary entrepreneurship rather than forced entrepreneurship.

However this only explains part of the story of those the owner managers who grow their businesses. This research found there is a second group of owner managers who grow their businesses but in fact started their businesses forced by economic circumstances (retrenchment, the need for more income) rather than by their free will. This group though is in the minority. This research therefore partly confirms but also extends the existing knowledge of which owner managers are best placed to grow their businesses.

6.2.3 Owner's Management Style

The role of the owner manager's management style in the small enterprise phase of the enterprise and later in the medium enterprise phase was presented in Chapter Four section analyzed in 4.3.14 section. It was then analyzed in Chapter Five section 5.2.1a.

The management style of the owner manager was a key determinant in the performance of the enterprise. It determined whether the enterprise grew or not. Using the theory X theory Y model of categorizing management styles, the owner managers were grouped into these two managerial styles. Theory X managers were those who use directive techniques while the Theory Y managers were those who respect and empower their employees.

The respondents in this research all indicated that in formative stages of their enterprises they directly controlled of all the operations and activities in the business. They did all the work involved in running the enterprise with minimal or no delegation. As the enterprise grew they could not run the enterprise in the same way. The pace, depth and breadth of the business operations made it impossible for the owner manager to centralize all business operations as before. This necessitated the introduction of a middle manager position. This introduction of the middle manager position was the most crucial change in the process of the owner managers' transformation of their management style. They had to delegate, rely and believe in others to achieve their goals.

This research can indeed conclude that owner managers of growth construction firms in South Africa were distinctly aware of their styles and its impact on the growth of the enterprise. The owner managers who were profiled in this research had graduated from Theory X to Theory Y managers as the business had grown. When the enterprise achieved growth, the owner managers were all inclined towards a participatory type of management. They saw the inclusion of the workers in the decisions on how best to execute their work as fundamental to the quality and timely completion of the work.

The finding of this research on the awareness and homogeneity of management style of growth construction firms reinforces the observation made by Chan *et al.* (2006: 429), Wiklund and Shepherd (2003: p. 1920) that the entrepreneurial style of owner managers become more similar

once the decision to attain high grow has been made. The value addition of this research is in identifying the transition from Theory X to Theory Y managers as central to the growth process. The identification and analysis of the impact of the introduction of the middle manager position as a key element in the transition of the management style, is also a key value addition of this research.

6.2.4 Role of Information Technology

Based on the data presented by the Respondents as summarized in Tables 4.1 (i) 4.2 (i) 4.3 (i) 4.4 (i) and 4.5(i) the role that Information Technology has played at the outset of the enterprise and later in the medium enterprise phase were analyzed in section 5.3.13.

Information technology played a key role in the growth of construction firms though playing a facilitating role in business processes and transactions. The role of IT overtime has become larger and larger in the running of the firms. In particular mobile phones have revolutionized communication, work supervision, and financial process in the firms as they have grown. The nature and object of meetings begun to transform from the routine sharing of information to being more strategic, work planning and problem solving in orientation. Mobiles phones became the communication device of choice in growing construction firms.

The internet has simplified access to information about raw material prices, tender bids, and financing packages from banks. On line banking has transformed financial and the way firms are paid for services rendered by the clients. The growing construction firms, in all cases, use specialized software to track progress and to update the client on the progress.

This research's findings on the impact of technology reinforce the observations by Arinaitwe (2006: p. 168), Gray (2006: p. 347), Pool et al. (2006: p. 49) on the impact of technology in particular IT on construction enterprise growth. The addition that this research makes is in the clearer and more definitive outline of the three phases through which IT use goes through in the growth of construction enterprises as outlined section 5.3.13.

6.2.5 Management of the Books

Based on the data presented by the Respondents as summarized in Tables 4.1 (k) 4.2 (k) 4.3 (k) 4.4 (k) and 4.5(k) the manner in which the Respondents have managed the books at the outset of the enterprise and later in the medium enterprise phase were analyzed in section 4.3.11.

The decisions that the owner managers have made in the management of the books have facilitated the growth of the construction firms. The firms during the formative stages usually had relatively weak record keeping systems. The owner manager personalized and centralized all income receipts, payment for all expenditures and inventory management to compensate for the weaknesses in the financial management system. As a result, all transactions had to be personally approved by the owner manager himself. This personalization and centralization of the financial

transactions in the owner manager was also designed to limit the pilferage of funds and materials that seems to haunt every small enterprise.

As the enterprise grew the scale, volume and intensity of the financial transactions increased. This made the personalized and centralized financial management system more and more difficult to implement. It also became a liability as all financial transactions had to wait for the physical availability of the owner manager. This method of managing the financial affairs of the enterprise clearly became a constraint to the operations of the business.

The owner manager decided to bring in the services of an external accounting firm to assist with the management of the finances. The externalization and contracting out of the financial management had the impact of improving the quality and timeliness of the financial transactions. This also increased the speed with which transactions could be undertaken, resulting in an increase in the overall volume of business that the firm could undertake.

6.2.6 Business and Family

The responses to the questions on the interplay between business and family in the enterprises were analyzed in section 4.3.10 based on the summaries presented in introductions in sections 4.2.1(a), (b), (c), (d) and (e).

The mixing of business and family is one of the distinguishing features a small enterprise. Business and family finances are intermixed. Family members work in the business without any structured compensation. They take allowances from the business to meet their living expenses as and when the need arises. It is accepted by all that the needs of the family are to be met from the business revenue.

As the enterprise grows, a separation is made between the enterprise and family finances. The owner manager begins to hire more and more employees from the open market. These employees are hired on the basis of their skills rather than their relationship to the owner manager. As the enterprise becomes more formal and professional, the owner manager limits the role that unqualified family members play in the professional technical aspects of the enterprise as it grows. At the same time the qualified member of the family remain within the business and perform functions on the basis of their professionalism. In addition qualified family members who had hitherto work elsewhere now come and work in the business on the basis of their professional qualifications and experience. They infuse greater professional competence and capacity into the business. In return the business compensates them on the basis of the prevailing market rates. The family members, who continue to work in the business but were previously unqualified, undertake professional training qualifications.

The findings of this research on the impact of family on business during the growth process echo the findings of Steinmetz (1969: p.34) that the gradual separation of business from family is a gradual process. This research has added even greater understanding on the interplay between business and family by highlighting that at the peak of the enterprise's growth process that family continues to impact on the business but on the basis of their professional qualifications and experience rather than merely on family alone. The family members who remain or even join

in the family business do so on a professional basis and are compensated on market rates. These additional findings on the role of the family in a growth business are the value addition of this research to the existing body of literature on business and family.

6.2.7 Nature and Type of Communication

Based on the inputs from the Respondents as summarized in Tables 4.1 (r), 4.2 (r), 4.3 (r), 4.4 (r) and 4.5 (r) the nature and type of communication utilized by each enterprise was analyzed in section 4.3.2.

All communication was face to face and directed by the owner to the employees in the small construction firm. The work instructions were given largely through word of mouth by the owner manager. Work instructions were rarely, if ever, given in the written format. As a consequence, there was no paper trail of the work history and the work instructions.

When the owner manager transformed the structure of the company from a flat to a more triangular structure, he has also had to make fundamental changes in the manner in which communication was handled in the enterprise. The changing role of the owner manager meant that his communication within the company has shifted from the employees to the middle manager.

In line with the decision to change the structure of the enterprise as it grows, the owner manager made changes in the nature and type of communication in the enterprise. It is clear that a comprehensive communication strategy lies at the heart of the growth process. The owner manager moved the communication of the enterprise from a face to face based system to an electronic based system which is more formalized and structured. The owner manager is at the centre of the enterprise communication web. It is this communication system that drives the work of the enterprise. One of the key drivers of growth therefore is the replacement of the physical presence of the owner manager at the work site with his presence at the centre of a virtual communication web. This process had been facilitated by the dramatic developments in IT.

This research confirmed the observations by Gray (2006: p. 349), Gregory et al. (2005: p.386) that growth oriented owners were more likely to be communicative and participative in their management styles. The value addition of this research is the observation about the replacement of the physical presence of the owner manager at the work site with his presence at the centre of a virtual communication web.

6.2.8 Structure of the Business

Based on the data presented by the Respondents as summarized in Tables 4.1 (n,o,p) 4.2 (n,o,p) 4.3 (n,o,p) 4.4 (n,o,p) and 4.5(n,o,p) the issue of the organizational structure at the outset of the enterprise and later in the medium enterprise phase was analyzed in section 4.3.10.

The organizational structure of the enterprise when it was in the small enterprise phase was very flat with the owner manager controlling of all aspects of the enterprise's life. The owner manager

was involved in all the decisions of the firm – big and small and was in direct and personal everyday contact with every employee in the firm. The work instructions were almost exclusively given through word of mouth by the owner manager directly to each employee for every task to be performed.

When the firm grew, however, the owner manager was not able to personally direct and control all the business activities. As the number of employees grew, the owner manager decided to introduce a middle management level. As a result, new work methods and new procedures for the delivery of work instructions to the employees had to be devised. These work methods took the firm more towards the path of structured communications and work management resulting in a more hierarchical organizational structure with bureaucratic and formal processes. The owner manager now had to deal with the employees through the middle management.

The introduction of a middle management layer allowed the owner manager time to focus on the more strategic aspects of the business, namely: identifying new customers and negotiating new business deals, interacting with the government officials to comply with and influence the macro-economic environment.

The findings of this research on the introduction of the middle manager and its impact on the role of the owner manager resonate with the findings of Chan *et al.* (2006: 436), Steinmetz (1969: p.32), Wiklund and Shepherd (2003: p. 1924), Freel (2000: p. 324), Pool *et al.* (2006: p. 52), Gans and Quiggin (2003: p. 245), Harris *et al.* (2005: p. 234), Oke *et al.* (2007: p. 738) during the transition from direct to indirect management as the enterprise grows. The value addition of this research is that it more explicitly outlines the dynamics of the transition from direct to indirect supervision for the owner manager. In particular it highlights the emotional and psychological anguish that the owner manager goes through in the process of this transition.

6.2.9 Marketing Strategy

The marketing strategies of the enterprises were discussed in the context of the markets and marketing communication of each enterprise as summarized in Tables 4.1 (i and j), 4.2 (i and j), 4.3 (i and j), 4.4 (i and j), and 4.5(i and j) and analyzed in section 4.3.6.

The marketing strategy chosen by the owner manager was a key determinant of growth in this research. All the respondents chose a niche marketing strategy - where they focused on one particular segment of the construction industry. They chose to satisfy the needs of one particular market segment rather than to serve many different segments. They carefully selected one segment based on their competitive advantage and then focused on providing quality service to the customers in that selected market segment.

The growth of the firms in this research was clearly driven by the niche marketing strategy that the owner managers chose. The owner managers developed deep, sustained and very close relationships with their clients in the selected niche market segments. The niche marketing strategy resulted in a guaranteed source of business over a long period of time.

This research reinforces the observations of Smallbone *et al.* (1993: p. 44), Gray (1994: p. 175), Rodgeron (2000: p. 705), Wiklund and Shepherd (2003: p. 1925) that the market opportunity and marketing strategies selected influence the performance of the enterprise and are one of the key determinants of enterprise growth. In particular Gray (1994: p. 176) stated that high growth companies are characterized by a focus strategy and compete on the basis of a differentiated strategy and on the basis of uniqueness of their product and Company. However this research adds to this knowledge by focusing on the niche marketing strategies that these growth enterprises used successfully. It fully explores how the marketing strategies were formulated and implemented. It analyzes the key role of the owner manager in the marketing process in all the growth enterprises. Finally this research adds to existing knowledge by analyzing the costs of pursuing the wrong marketing strategy and indeed how that marketing strategy error was corrected. The immediate positive impact of the correction of the marketing strategy on the business performance is also a key value addition of this study.

6.2.10 Profile of the Workers

Based on the data presented by the Respondents as summarized in Tables 4.1 (f,h) 4.2 (f,h) 4.3 (f,h) 4.4 (f,h) and 4.5(f,h) the profile, professional qualifications, experience and cost of the workers at the outset of the enterprise and later in the medium enterprise phase were analyzed in section 4.3.8.

The skills profile of the workers changed significantly as the enterprises grew. At the beginning the workers were largely unskilled to semi-skilled. The level of complexity of the work to be performed was very elementary and basic. This is best depicted by Respondent One's enterprise which started out renovating run down ENGEN garages. The bulk of the work needed to be undertaken by unskilled and semi-skilled workers. It mainly consisted of scrapping off the old paint and repainting the walls. A qualified or experienced painter was the most skilled worker in the firm at the time. With time the enterprise started to undertake road construction work which required a higher level of skills. The skills profile of the workers increased gradually as the construction engineers and surveyors joined the workforce.

The most qualified personnel in almost all the respondent companies have moved from being basic artisans to being highly educated, sophisticated and qualified personnel. In general they have moved from being painters and builders to being graduate engineers and quantity surveyors. This transformation proves the point that growth of a construction firms is related to the firms moving higher up the value chain. As the firms moved from doing basic low end work in the construction industry to more value added work, the competencies and capacities of the work force also had to move up. It was not possible to do high value construction work like road construction, as distinct from refurbishment of service stations for example, while retaining the same skills profile among the labour force.

To meet the quality demands of the higher value work, the growing enterprises had to either train its existing employees to attain high skills qualifications or more commonly to recruit personnel with a higher profile of skills. This was especially true given that it takes a long time to develop mechanical and structural engineers – normally four to five years. This meant that it is not possible for the growing enterprise to invest its meager resources over a four or five year period

to train the mechanical and structural engineers that it needed to undertake the work. The recruitment of already qualified and skilled personnel from the labour market therefore made the most practical business sense.

The implication of recruiting from the open labour market was that the growing firms found themselves in open competition with the established companies for skilled personnel. This meant that the growing enterprises had to pay market related, competitive wages and working conditions. This transformed the cost structure of the growing enterprise. In the past, when they were small firms, materials and other operating expenditure were the major cost driver. This was illustrated in Figure 5.16 above. As shown by data presented in Tables 4.1 (h) 4.2 (h) and 4.3 (h) it is evident that as the small construction firm embarked on the growth path, the wage bill became the major cost driver. The need to attract and retain the qualified professionals drove up the proportion of wage bill to materials and other operating costs. This was illustrated by the Figures 4.5 and 4.6 above.

Along with the growth in the wage bill is the changing nature of employee management relations. When they were small firms, owner managers were heavily involved in all aspects of the firm. As a result, the employees at that time took instructions from the owner manager in how to perform their tasks from the owner manager. There was very small room for personal initiative in the definition and execution of the work. Employees simply obeyed the instructions given to the letter. It was very much a top down centralized management.

As the enterprises grew and took on the skilled personnel, the owner manager did not necessarily have the technical expertise to give these professionals detailed work instructions. The work complexity was in fact beyond the capacities of the owner manager. He had to rely on the knowledge and competencies of the skilled professionals. The work flow communication increasingly originated with the skilled professionals and the foremen. There was therefore a more dynamic interchange of information and a dispersed communication flow.

Four types of contracts were observed during the research: regular employment, contract employment, paid family work, and apprenticeship. The majority of the workers were on regular employment contracts based on the Basic Conditions Employment Act. The employment contracts gave the workers basic rights, namely injury benefits, leave, given working hours, contributory pension benefits, the right to belong to a union, and overtime benefits.

The work hours are regular normally starting at 0730 hrs and ending at 1730 hrs with two tea breaks and a lunch break. The total hours worked per week are normally 40 hrs. Any additional hours beyond that are considered as overtime which is paid at a rate agreed to at the collective bargaining council. Month end wages are within the range agreed to and set by the collective bargaining council. There is in all cases a limited use of family labour in the form of children or wives. The family labor was however in all cases paid a set wage which was however normally higher than the other workers.

No casual workers were employed. No casual workers were observed during the observation visits. The respondents in general confessed that they do often use casual workers when they

have pressure to finish a particular project on time. The casual workers are employed on a project by project basis. They are normally on the low skill levels.

This research confirms what Freel and Robson (2004: p. 568), Wiklund and Shepherd (2003: p. 1924), Barney (2001: p. 45) and Rodgerson (2008: p.71) found in their study that the employment of professionals and managers is positively related to the level of growth of the young enterprises. Gray (2006: p. 346) observed that small enterprises face tough competition for the necessary competences and skills in local labour markets due to the poor supply of those skills and partly to the intensified competition from larger firms. This observation has been reinforced by this research. However this research goes further to outline clearly when professional employees are recruited into the growing enterprise and their impact on the work methods and culture of the enterprise. They force the SME to become more participatory and democratic in its management style and culture. Four types of contracts were observed during the research: regular employment, casual employment, paid family work, and apprenticeship.

The majority of the workers were employed on regular employment contracts based on the Basic Conditions Employment Act giving the workers basic rights, namely injury benefits, leave, given working hours, contributory pension benefits, the right to belong to a union, and overtime benefits. This research found that the key success factor of the growing firms is the ability to attract, remunerate and retain a core work force with the a high level of skills and give them greater responsibilities in the execution of the technical work.

6.2.11 Role of Government

Based on the data presented by the Respondents as summarized in Tables 4.1 (i,q,u,v), 4.2 (i,q,u,v), 4.3 (i,q,u,v), 4.4 (i,q,u,v) and 4.5(i,q,u,v) the role of government at the outset of the enterprise and later in the medium enterprise phase was analyzed. It was clear that the positioning of all the respondent enterprises vis-a-vis the government was a major determinant of growth.

The role of the government in the construction industry was very much a contested topic among the respondents. This research found very strong, divergent and very emotionally held views on the positive and negative aspects of the role of the government in the construction industry. This research analyzed the positive and negative aspects and their merits. This research found that the government facilitated and hindered the growth process of construction firms. All the firms interviewed raised the issue of the role of the government and its impact on their growth in various forms. All the owner managers felt that the government and the role it played in industry had a very heavy impact on the prospects for growth of their enterprises. This research found that the role of government was the only issue raised both as a major driver of growth and the major inhibitor of growth by the respondents.

Respondents One, Three and Five in Tables 4.1 (u), 4.3 (u) and 4.5 (u) viewed the government as a major driver of growth while Respondents Two and Four in Tables 4.2 (v), and 4.4 (v) felt strongly that the government inhibited their growth through the role it played in the industry. The respondents were deeply divided and very passionate on whether the government played a positive or negative role.

This research confirms the views of SBP (2004), Okech (2005), Tushabomwe - Kazooba (2006), Department of trade and Industry (2007) and Rodgerson (2008) that the government plays a key role in the growth of enterprises through being the creator and custodian of the rules and regulation of the industry and the macro-economic environment in general. The value addition of this research is the provision of the divergent views on whether government role is facilitative or hindering to the growth process in the construction industry in South Africa. This research pursues the issue of whether the government an enabling or disabling environment for growing enterprises. It highlights the aspects of the role of government that are perceived as enabling namely, the registration under the CIDB, provision of funds for the construction of low income houses and funding infrastructure development projects. This research highlights the issue of discrimination, corruption and none enforcement of compliance with the rules as key areas in which the government hinders the growth of construction firms. These findings and analysis are the value addition of this research to the body of knowledge construction enterprises and growth.

6.3 Impact of Macroeconomic Environmental Factors on Growth

In period 1994 – 2008, the South African economy experienced sustained growth on the back of the new democratic dispensation. The enterprises studied in this research were formed and largely grew benefiting from this wider national economic growth. This research has been undertaken in the immediate aftermath of the National Credit Act (2007) and during the period of the GEFC 2008 - 2010. The National Credit Act curtailed hitherto easily available personal credit thereby reducing overall national demand for goods and services. The GEFC had a severe impact on the overall economy. On the other hand the construction industry experienced a major boom because of the infrastructure developments related to the Soccer World Cup 2010. Most construction companies benefited from the construction boom preceding the Soccer World Cup 2010. As a result the construction sector was spared the severe impact of the National Credit Act and GEFC.

The positive impact of the infrastructure developments related to the Soccer World Cup on the one hand and the negative impact of the GFEC and the National Credit Act were presented in relation to sections (i,j,u,v) in Tables 4.1; 4.2; 4.9; 4.4; and 4.11. They were analyzed in section 4.3.6.

This research has found that the severe impact of the National Credit Act and the GEFC on the economy in general was not as strongly felt in the construction sector because of the mitigating effect of the infrastructure development programme related to the World Cup on the one hand and the coping strategies of the growing enterprises on the other. As a result while all the Respondents were aware of the impact of the National Credit Act and the GEFC on the economy only one of the respondents mentioned the impact of the GCFC on his business operations. Respondent Three outlined the impact of the GEFC on his company and the counter strategies that he undertook.

This research highlighted the impact of the macro - economic environment on the growth of owner managed construction enterprises. In short this research found that the boom in the macro-economic environment benefitted the construction enterprises in their growth process. This

finding resonates with the observations of Arinaitwe (2006: p. 177), Wiklund and Shepherd (2003: p. 1920), Rodgerson (2000: p. 709), Okpara and Wynn (2007: p.32) and Rodgerson (2008: p. 74). This research adds to the understanding of the impact of macro – economic environment on the growth of owner managed construction enterprises by showing that once the enterprises have reached a critical growth scale they are more able to cope with the macro – economic environment once it begins to be adverse.

6.4 Impact of the Sector on Growth of owner managed medium size construction enterprises in South Africa.

The growth and competitiveness of the sector and its impact on the growth and the competitiveness of owner managed medium size construction was presented in relation to sections (i,u,v) in Tables 4.1; 4.2; 4.3; 4.4 and 4.5 and were analyzed in Section 4.3.6.

The building industry in the period 2004 – 2010 experienced an era of sustained growth on the back of the infrastructure developments ahead of the soccer World Cup 2010. In that period about R787 billion was invested in the construction industry. The investments were in the construction of stadia which were to be venues for the 2010 Soccer World Cup and the construction of roads and railway infrastructure. This investment had a knock on effect on the whole construction industry.

The investments in the construction industry reflected themselves in the FNB / BER, FNB Civil Engineering and the RMB / BER BCL building confidence indexes. All three index graphs confirmed that the building industry was on an upward and high growth path in the period from the 2000 – 2008 on the back of the massive investments related to the 2010 World Cup construction. However a dramatic decline then set in by 2009 on the back of the ending of the 2010 Soccer World Cup construction boom and the impact of the Global Financial and Economic Crisis.

This research has also shown that the majority of the construction enterprises were formed just before or at the beginning of this boom. One conclusion that can be drawn is that the Respondent Enterprises experienced growth on the back of overall rapid growth in the sector. Thus this research has observed that enterprise growth does need an enabling sector environment.

This research's highlighting of the necessity of an enabling environment in the sector to facilitate the growth of the construction enterprises reiterates observations by Smallbone et al. (1993: p. 45/47). However this research extends this understanding further by highlighting the interplay between the macro - economic environment growth on the one hand the sector growth on the other. This research highlights that there is a positive relationship between macro – economic growth, sector growth and construction enterprise growth. This research also extend this understanding even deeper by showing that enterprise growth continued to be positively correlated to sector growth even when macro – economic growth was now negatively correlated due to the GFEC.

6.5 Chapter Summary

The main question which this research has sought to answer is:

Is the owner manager of a medium size construction enterprise the main driver of growth and graduation, and what role does he or she play and how does he or she facilitate the growth and graduation of an owner managed small construction enterprise into medium size construction enterprise in South Africa?

This research has proven through the data presented in Introductions of 4.2.1 (a), (b), (c), (d) and (e) and the Tables 4.1; 4.2; 4.3; 4.3; 4.4 and 4.5 and analyzed in sections 4.3.1 – 4.3.14, that the owner manager of the respondent enterprises is the fulcrum upon which all the major decisions in the enterprise revolve. It is the quality of these decisions that drive or hinder the growth process. The owner manager makes the key decisions regarding:

- the role and nature of interaction with the government,
- the structure of the enterprise and the roles and responsibilities of the staff within the enterprise,
- the marketing strategy,
- the quality and skill level of the staff,
- the role information technology, the nature and type of communication within the enterprise and between the enterprise and its external stakeholders,
- the culture of the enterprise,
- the interaction between the business and family and,
- the management of the book of accounts.

It is the cumulative impact of these decisions that the owner manager makes that propel the enterprise to growth. This confirms that the entrepreneur is the main driver of enterprise growth and graduation from small to medium enterprise size through the decisions that he or she makes.

This research has also identified that it is not only the decisions that the owner manager makes that matter. It is also the management style that the owner manager adopts that facilitates or hinders growth. The owner manager needs to adopt a participatory management style which empowers the staff, to facilitate enterprise growth and transformation.

Based on the data presented in relation to sections (i.u.v) of Tables 4.1, 4.2, 4.3, 4,10 and 4.5 and analyzed in section 4.3.6 this research has dealt with the issue of the impact of the macroeconomic environment on the growth of the owner managed construction enterprises.

Focusing on growth, this research has identified the key drivers of why some owner managed construction enterprises firms grow and others do not. The research has identified the macroeconomic environment as a key driver of the performance of the whole economy.

A key element of the construction industry which positively benefitted the enterprises in the period 2002 – 2010 is the construction boom experienced because of the Soccer World Cup 2010. The construction bonanza was based on the ten new stadia to be build or renovated and the

accompanying road infrastructure. This played a key factor in the positive growth experience by most of the firms in the industry.

The South African economy performed well in the period 1994 – 2008. The good performance of the economy in the period 1994 – 2008, had a positive spillover effect on the construction sector and the enterprises in that sector. This proves that the macroeconomic environment is a key driver of growth and competitiveness.

However, starting in 2008, the GEFC set in. The impact of the GEFC on the economy was very severe. The GDP declined dramatically and the inflation rose. This impacted the whole economy. Added to this was the impact of the newly introduced National Credit Act. The National Credit Act made access to credit especially for housing loans more difficult.

Despite the combined negative consequences of the GEFC and the National Credit Act, the majority of the respondent enterprises continued to experience growth. One respondent enterprise suffered a dramatic decline in sales and growth in this period. This was more because of the ‘wrong’ marketing strategy it chose to respond to the overall down turn in the economy. Significantly, when the owner manager adjusted the marketing strategy, sales and growth have begun to pick up again. This proves that a positive macroeconomic environment is crucial as a driver of growth but is not a decisive factor because even when the macroeconomic environment turns negative, growth firms are able to maintain their growth path. So, in conclusion, the macroeconomic environment is a necessary but not sufficient condition for enterprise growth.

The above conclusion on the macroeconomic environment is also true of the industrial sub sector competitiveness and growth’s impact on the growth of enterprises in that industrial sub sector. As the economy has grown, so has the construction industry. Within the period 2000 - 2008, the construction industry has also been performing well on the back of the good macro economic performance. As a result the RMB / BER and the FNB / BER Business Confidence Indexes have been on a gradual upward trend.

The Respondent Enterprises in this research clearly benefited from this gradual upward trend in the economy in general and the construction industry in particular. The Respondent Enterprises experienced sustained growth in this period as well. This confirms that growth enterprises benefit from a growing and competitive industrial sub sector. However, the industrial sub sector took a negative turn on the back of the GEFC, the National Credit Act and the end of the 2010 Soccer World Cup construction boom in the period 2008 – 2010. Despite this, the majority of the respondent enterprises continued to enjoy significant growth. This leads to the conclusion that the growth and competitiveness of the industrial sub sector is a key but not decisive driver of growth and competitiveness of SMEs.

This research has therefore unraveled the “black box” of owner managed small construction enterprise growth in the of South Africa context by analyzing the role of the macroeconomic environment, the growth and competitiveness of the industrial sub sector and the owner manager. In this process the research has focused on the role of the entrepreneur in facilitating or inhibiting growth and highlighted the entrepreneur’s centrality to the growth process.

Through the use of the case study method this research has been able to address the how and why of construction enterprises growth in Gauteng. This study has added value to the existing body of literature on enterprise growth by delving deeper into many already known factors driving enterprise growth. This research in most of the identified areas has been to analyze deeply and give greater insight into the dynamics of how growth actually happens within the enterprise through the role of the owner manager. Through this process this research has helped in opening Freel (2000)'s 'black box' of enterprise growth with particular reference to the construction sector in Gauteng, South Africa.

CHAPTER SEVEN

CONCLUSIONS AND RECOMMENDATIONS

7.1 Introduction

Based on the presentation of findings covered in Chapter Four, the analysis of findings in Chapter Five, and the contribution to knowledge in Chapter Six, this chapter presents the conclusions and recommendations of this research. It highlights the main lessons learnt from this research. It also highlights areas requiring further research.

7.2 Conclusions

7.2.1 Growth and Owner Manager's Decisions

The growth of an enterprise is, in a large measure, driven by the quality of the decisions that the owner manager makes in the running of the business. The quality of the owner manager's decisions is an outcome of the professional, technical, and academic background of the owner manager in question

7.2.2 Growth and Quality of Financial Management

For a business to grow quality financial planning and controlling is a critical success factor. The quality financial planning and controlling is built on the foundation of adequate primary and secondary education. This proves that there is a direct correlation between construction business growth and the owner manager having primary and secondary education. In this correlation, mathematical skills are the crucial ingredient.

7.2.3 Tertiary Education and Skills

Tertiary education provides skills and acumen which are important and indispensable in managing a construction business for growth. The value of the tertiary education is in relation to the analytical skills which it provides. It is these analytical skills which assisted these owner managers to analyze their businesses make the decisions required to facilitate growth.

7.2.4 Tertiary Education and Networks

The value of tertiary education is also in providing a network of associates and friends who facilitated the business growth in a variety of ways. Business growth was seen as a consequence of a variety of contacts and relationships who offered a variety of material and none material support to the owner manager. The owner manager sought information and advice from the tertiary college network of friends and associates. The tertiary education “old boys” are at the centre of the professional network that the owner managers leverage in the conduct of their business transactions to facilitate growth.

7.2.5 Race, Racism and Growth in the Construction Industry

This research encountered the reality of race and indeed of racism during the field work. At the outset all the white firms in the samples refused to be interviewed. In all cases no clear reason was given. The majority were rather harsh in their dismissal of the researcher’s request for them to take part in the research. More often than not lack of time to partake in “none value adding activities” as one of the owner managers who refused to participate called it, was given as the main reason. Attempts were made to explain and justify the rationale and value addition of the research to the participating enterprises in particular and the industry as a whole but to no avail. All in all, the conclusion drawn from this experience is that there is a general sense of suspicion, fear and anxiety in the construction industry in the country among white owned medium sized construction firms.

7.2.6 Black Owner Managers and Willingness to Participate in the Research

On the other hand the black owner managers, despite also being very much under time pressure, were more willing to participate in the research. Their desire for participation in the research was driven by three reasons, namely:

- 7.2.6.1 to subject their firm’s growth and evolution to an external assessment and review,
- 7.2.6.2 assist them to review their business’s past practices and performance, and
- 7.2.6.3 lay the basis for them to strategize about the present and the future.

7.2.7 Gender in the Construction Industry

Gender appears to also be a key driving factor in the construction industry. Only two women (black) were encountered in the sampling process. And both refused to participate in the research, citing time pressures. This encounter leads to the conclusion that women owner managers were uncomfortable to participate in this research, perhaps for time reasons as stated but more likely due to discomfort with the issues raised in this research questionnaire.

7.2.8 Woman Shareholder and Corruption

In one case shareholding was extended with a view to have the woman shareholder use her 'insider' status to unduly influence the tendering process to the advantage of the firm in question. The intent was therefore clearly corrupt. It is to the woman's credit that she has not fulfilled the expectation of unduly influencing municipal tendering procedures to advantage her company.

7.2.9 Construction Industry and Male Workers

Another element of gender in the construction industry is that almost all the employees of all the respondent firms were male. Where women were employed it was in the office clerical, customer relations and administrative functions. There were no cases on women employed in the actual field functions of the enterprises interviewed. The observation has to be made therefore that there is active discrimination of women employees in the technical fields in the construction sector by most growing construction firms.

7.2.10 Marketing Strategy Chosen by the Owner Manager

A key determinant of growth in this research was the marketing strategy chosen by the owner manager. In all cases the respondents chose a niche marketing strategy - where they focused on one particular segment of the construction industry. They did not seek to serve many different segments. They carefully selected one segment based on their competitive advantage. They then focused on providing quality service to the customers in that selected market segment.

7.2.11 Communication Strategy and Growth

It is clear that a comprehensive communication strategy lies at the heart of the growth process. This communication strategy is designed and driven by the owner manager. Clearly one of the key changes an owner manager undertakes as his firm embarks on growth is the review of the communication requirements, design and implementation of a clear simple practical communication system which places him at the centre. The owner manager has to move the communication of the enterprise from a face to face based system to an electronic based system which is more formalized and structured. The owner manager is at the centre of a communication web. It is this communication system that drives the work of the enterprise. One of the key drivers of growth therefore is the replacement of the physical presence of the owner manager at the work site with his presence at the centre of a virtual communication web. This process had been facilitated by the dramatic developments in IT.

7.2.12 Centrality of the Owner Manager

At the outset, the owner manager was the source of all the activities in the firm. He was the be all and end all of the firm. The owner manager was involved in all the decisions of the firm – big and small.

As a result the owner manager was in direct everyday contact with every employee in the firm. The owner manager was therefore very familiar with each and every employee. He knew every employee personally and was on a first name basis with all employees. The enterprise culture was therefore very informal.

7.2.13 Impact of Introduction of a Middle Manager

When the firm grew, the owner manager was not able to be the be all and end all of the business activities. He was not able to be on first name basis with every employee anymore. As the number of employees grew, the firm had to introduce a middle management level. The effect of this was that new work methods and new communication methods had to be introduced. These work methods took the firm more towards the path of structured communications and work management. The result was a more towards bureaucratization and formalization.

7.2.14 Business and Family and Growth

The mixing of business and family is one of the hallmarks that define a small enterprise. Business finances are also family finances in a seamless line. Family members work in the business without any structured compensation. It is understood by all that the needs of the family are to be met from the business revenue. As the enterprise grows a wedge developed between the enterprise and the family affairs. More and more outside employees are recruited. These employees are brought in more on the basis of their skills rather than their relationship to the owner manager. As the enterprise becomes more formal and professional, the family recedes into the background. However it was clear from this research that even as the enterprise reaches the medium size phase the remnants of family and business mixture of the small enterprise phase were not shed completely. In all cases, family was found to be still interfering with the professional running of the medium sized firm.

7.2.15 Personalization of Management of the Books and Growth

The management of the books is one of the crucial areas as the enterprises have grown. The firms usually had relatively weak record keeping systems at the outset. There are no systematic well organized methods and procedures for recording all income, expenditure, and materials inventory. To compensate for the weakness in the financial management system, the owner manager personalized and centralized all income receipts, payment for all expenditures and inventory management in him. This meant that all transactions had to be sanctioned by the owner manager himself. This personalization and centralization of the financial transactions in the owner manager was also designed to limit the pilferage of funds and materials that seems to haunt every small enterprise.

7.2.16 Externalization of Accounting Function and Growth

The reality of a mismatch between the needs of the enterprise and financial management system, forced the owner manager to undertake a review and decide to change the financial management system. The owner manager decided to bring in the services of an external accounting firm to assist with the management of the finances.

7.2.17 Impact of the Externalization of Accounting Function and Growth

The externalization and contracting out of the financial management had the impact of improving the quality and timeliness of the financial transactions. No longer reliant solely on the physical availability of the owner manager, financial transactions could now be undertaken more quickly. This had the impact of increasing the speed with which transactions could be undertaken. This had the effect of increasing the overall volume of business that the firm could undertake.

7.2.18 Skills Profile of the Workers and Growth

The skills profile of the workers has changed a lot as the enterprises have grown. At the outset the workers were largely unskilled to semi-skilled. The level of complexity of the work to be undertaken was very basic. The work required unskilled and semi-skilled workers. The most qualified personnel in almost all the respondent companies have moved from being basic artisans to being highly sophisticated and qualified personnel. In general they have moved from being painters and builders to being graduate engineers and quantity surveyors. This transformation proves the point that growth of a construction firms is related to the firms moving higher up the value chain. As the firm moves from doing basic low end work in the construction industry to more value added work, the competencies and capacities of the work force also have to move up. The recruitment of already qualified and skilled personnel from the labour market therefore makes the most practical business sense.

7.2.19 Impact of Recruiting from the Open Labour Market

The implication of recruiting from the open labour market is that the growing firms find themselves in open competition with the established companies for skilled personnel. This means that the growing enterprises have to pay competitive wages and working conditions. This transforms the cost structure of the growing enterprise. In the past, when they were small forms, materials were the major cost driver. But as they embark on the growth path, the wage bill becomes the major cost driver.

7.2.20 Changing Nature of Employee Management Relations

Related to the growth in the wage bill is the changing nature of employee management relations. When they were small firms, owner managers were heavily involved in all aspects of the firm. As a result the employees at that time took instructions from the owner manager in how to perform their tasks from the owner manager.

There was very small room for personal initiative in the definition and execution of the work. Employees simply obeyed the instructions given to the letter. It was very much a top down centralized management.

7.2.21 Types of Employment Contracts and Growth

Four types of contracts were observed during the research: regular employment, casual employment, paid family work, and apprenticeship. The majority of the workers were employed on regular employment contracts. These workers' contracts were based on the Basic Conditions Employment Act. They give the workers basic rights, namely injury benefits, leave, given working hours, contributory pension benefits, the right to belong to a union, and overtime benefits.

7.2.22 Information Technology and Growth

Information technology plays a key role in the growth of construction firms. It has played a facilitating role in business processes and transactions. As the firm has grown the role of IT has also grown within the firm. The growing construction firms have adopted the technological advances both as a result of growth and as a vehicle for facilitating growth. As they have grown they have found that there are now standard ways to communicate with customers and suppliers based on the mobile phone and the online computer. To achieve greater efficiencies and in most cases to reduce their labour costs, they have also had to adopt the technological advances as a strategy for growth.

7.2.23 Management Style of the Owner Manager

The management style of the owner manager was a key determinant in the performance of the enterprise. The management style determined whether the enterprise grew or not. This research can indeed conclude that owner managers of growth construction firms in SA are distinctly aware of their styles and its impact on the growth of the enterprise. The owner managers were all inclined towards a participatory type of management. They saw the inclusion of the workers in the decisions on how best to execute their work as fundamental to the quality and timely completion of the work.

7.2.24 Role of the Government in the Construction Industry

The role of the government in the construction industry is very much a contested topic. This research found very strong, divergent and very emotionally held views on both sides of the argument – positive and negative. All the firms interviewed raised the issue of the

role of the government and its impact on their growth in various forms. In all cases the owner managers felt that the government and the role it played in industry had a very heavy impact on the prospects for growth of their enterprises.

7.2.25 Government as the Creator of the Rules and Regulations

All the respondents viewed the government as the creator of the rules and regulations which define the operating macro-economic environment of the construction. The rules of the industry which the industry players felt impact on their businesses the most are those which govern the Construction Industry Development Board (CIDB). This clarity of the framework and boundaries of the industry was seen by all an essential requirement for the enterprises not only to function and thrive but also that it laid a very good basis for growth.

7.2.26 Non - Observance of the Rules of the Game and Impact on Growth

A view was expressed (though in the minority) that there is a non - observance of the rules of the game which was creating an environment of “chaos” which was being taken advantage of a few firms to the detriment of the majority of the firms which were endeavouring to abide by the rules.

7.3 Recommendations for Further Research

- 7.3.1 Further research on the differences between what growth owner managers do versus what none growth managers do to better address Proposition Two above.
- 7.3.2 Further research on the general sense of suspicion, fear and anxiety in the construction industry in the country among white owned medium sized construction firms is required.
- 7.3.3 Further research on the gender issues within the construction industry. Given that only two women (black) were encountered in the sampling process and both refused to participate in the research, citing time pressures. A research process which addresses the discomfort that the women owner managers encountered exhibited is required.
- 7.3.4 The role of the government in the construction industry needs to be further researched and subjected to a national conference to reach consensus given the emotive feelings it raise in this research. The role of CIDB, corruption and the alleged ‘chaos’ deserve further attention

7.4 Recommendations to Owner Managers, Enterprise Development Practitioners and Policy Makers:

7.4.1 Professional, Technical, and Academic Background of the Owner Manager

The professional, technical, and academic background of the owner manager determines the quality of their decisions which in turn determine the growth prospects of the enterprise. Therefore every effort has to be made to ensure that management and technical training is availed to a large variety of people especially those already in business.

7.4.2 Impact of Primary and secondary education on Growth

Primary and secondary education is a crucial element in the development of entrepreneurial class with the capacity to facilitate growth given their impact on financial management. Mass access to primary and secondary education is therefore key to the development of an entrepreneurial class with growth potential.

7.4.3 Sense of Suspicion, Fear and Anxiety Among White Owned Medium Sized Firms

There is a general sense of suspicion, fear and anxiety in the construction industry in the country among white owned medium sized construction firms. Efforts need to be made by the industry practitioners and the government to address the feeling of alienation of the white owned medium sized construction firms. This recommendation is consistent with President Jacob Zuma's call for a "second reconciliation"

7.4.4 Gender and the Construction Industry

Gender appears to also be a key driving factor in the construction industry. Industry practitioners and the government need to review the role of women entrepreneurs, especially black women, in the construction industry with a view to creating a more enabling environment for the women entrepreneurs.

7.4.5 Marketing strategy and Growth

A key determinant of growth in this research was the marketing strategy chosen by the owner manager. Construction industry practitioners and the government need to develop tailor made marketing training programmes to better equip owner managers of medium construction enterprises to facilitate marketing for growth.

7.4.6 Comprehensive Communication Strategy and the Growth Process

A comprehensive communication strategy designed and driven by the owner manager lies at the heart of the growth process. Owner managers, construction industry players and government need to develop communication training and support programmes to help owner managers manage the growth process.

7.4.7 Introduction of a Middle Management

As the number of employees grew, the firm had to introduce a middle management level. The effect of this was that new work methods and new communication methods had to be introduced. Construction industry practitioners and the government need to develop tailor made organizational design training and support programmes to better equip owner managers of medium construction enterprises to facilitate the organizational design for growth.

7.4.8 Business, Family and Growth

It was clear from this research that even as the enterprise reaches the medium size phase the remnants of family and business mixture of the small enterprise phase were not shed completely. Owner managers, construction industry players and government need to develop training and support programmes to help owner managers manage the role of family in the growth process.

7.4.9 Management of the Books

The management of the books is one of the crucial areas as the enterprises have grown. The owner manager needs to be supported to decide at an early stage of the growth process, to bring in the services of an external accounting firm to assist with the management of the finances.

7.4.10 Information Technology and Growth

Information technology plays a key role in the growth of construction firms. It has played a facilitating role in business processes and transactions. Owner managers,

construction industry players and government need to develop training and support programmes to help owner managers manage the role of IT in the growth process.

7.4.11 Management Style of the Owner Manager

The management style of the owner manager was a key determinant in the performance of the enterprise. The management style determined whether the enterprise grew or not. Owner managers, construction industry players and government need to develop training and support programmes to help owner managers manage the role of their management style in the growth process.

7.4.12 Role of the Government in the Construction Industry

The role of the government in the construction industry is very much a contested topic. All the firms interviewed raised the issue of the role of the government and its impact on their growth in various forms.

In all cases the owner managers felt that the government and the role it played in industry had a very heavy impact on the prospects for growth of their enterprises. Construction industry players and government need to develop awareness programmes to help owner managers manage the various roles of the government (regulator, market and source of funds) and their impact on the growth process.

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ANNEXURES

Annex 1: The In-depth Semi Structured Interview Guide

1. BIOGRAPHICAL DATA

1.1 Name of Owner Manager

1.2 Address

1.3 Age: Below 30 years

30 – 40 years

40 – 50 years

50 – 60 years

Above 60 years

1.4 Level of Education None

Below Matric

Matric

Tertiary

(Please state the name of the qualification and area of specialization)

Certificate

Technical Qualification

Diploma

Degree

Masters

1.5 Marital Status Married

Single

1.6 Number of Dependents

2. THE BUSINESS

2.1 When was it started? Or bought?

2.2 How many workers were employed at the beginning? Full Time Part Time Men
Women

2.3 How many workers does the enterprise employ now? Full Time Part Time Men
Women

2.4 What benefits were the workers given then? Work insurance, pension contribution, maternity leave, annual bonus, medical allowance, transport allowance, child allowance, injury compensation.

2.5 What benefits are given now? Work insurance, pension contribution, maternity leave, annual bonus, medical allowance, transport allowance, child allowance, injury compensation.

2.6 What was the average monthly total income in the first three years of the business?

2.7 What is the average monthly income now?

2.8 What were the average monthly total costs?

2.9 What are the average monthly total costs now?

2.10 Who were the major clients in the first three years of the business?

2.11 Who are the major clients now?

- 2.12 What were the major marketing strategies used in the first three years of the business?
Product Price Place and Promotion
- 2.13 What are the major marketing strategies used now? Product Price Place and Promotion
- 2.14 What were the major advertising techniques used in the first three years? And how much do they cost?
- 2.15 What are the major advertising techniques used now? And how much do they cost?
- 2.16 What books of account were kept in the first five years?
- 2.17 What books of accounts are kept now?
- 2.18 What IT systems were used then?
- 2.19 What IT systems are kept now?
- 2.20 Was the business registered with the Construction Industry in the first three years?
- 2.21 Is the business registered with the Construction Industry now?
- 2.22 What was the organizational structure of the enterprise in the first three years?
- 2.23 What is the organizational structure of the enterprise now?
- 2.24 What was the major role of the owner manager in the first three years?
- 2.25 What is the major role of the owner manager now?
- 2.26 What are the main reasons why the role of the owner manager has changed over time?
- 2.27 What was the core business of the enterprise in the first three years? Building and renovating houses, Office and industry buildings, infrastructure development
- 2.28 What was the managerial style in the first three years? Individualistic, Coordinative, Delegation, Administrative
- 2.29 What is the managerial style now? Individualistic, Coordinative, Delegation, Administrative
- 2.30 What were the sources of financing for the enterprise? Own Funding, Friends, Family, Informal sources, Banks

- 2.31 What are the sources of financing for the enterprise now? Own Funding, Friends, Family, Informal sources, Banks
- 2.32 Communication: What was the nature of communication in the enterprise? Informal, formal, top down, bottom up,
- 2.33 What is the nature of communication in the enterprise now? Informal, formal, top down, bottom up,
- 2.34 What was the culture of the enterprise in the first three years? Formal, informal, bureaucratic,
- 2.35 What is the culture of the enterprise now? formal, informal, bureaucratic,
- 2.36 What were the major investments in the enterprise in the first three years? Plant and equipment, staff, working capital, plant maintenance
- 2.37 What are the major investments in the enterprise now? Plant and equipment, staff, working capital, plant maintenance
- 2.38 In your opinion what have been the major drivers (causes) of growth? (probe on the rules and regulations, access to and the cost of finance, the tendering procedures, affirmative action, the skills and competencies of the staff)
- 2.39 In your opinion what have been the major inhibitors of growth? (probe on the rules and regulations, access to and the cost of finance, the tendering procedures, affirmative action, the skills and competencies of the staff)

Annex 2: The Observation Guide

- a) *The Note Taking data recording strategy will be used given the research objectives, my rapport with the owner manager and his staff.*

- b) *At the beginning of the observations, I will request the owner manager (whom I will have had the in-depth interview with) to introduce me to the workers I will be watching. I will then describe my study and get the owner manager and workers' consent.*

- c) *I will remain quiet when observing and try to be inconspicuous. I will be friendly to any one who approaches me.*

- d) *In writing the notes I will divide the page into two. On the left I will write the observations and on the right write I will write the preliminary observations. This will assist me not to confuse the observations with my preliminary interpretations.*

adapted from Leedy and Ormrod (2005: 145) and Neumann (2006: 399)

Annex 3: Document Review Guide

- a) Request access to all the document related to the enterprise.
- b) Verify the documents against this checklist: : the registration papers, the company profile, the Income and Expenditure Statements, brochures, leaflets, flyers, press releases or bidding documents.
- c) Critically review all these documents to identify the key details about the enterprise.
- d) Identify what the company did which facilitated its growth.
- e) Identify from the documents what the owner manager in particular did which enabled the company to grow.

Annex 4: The Privacy, Anonymity and Confidentiality Pledge,

Every person has the right to privacy. This research will violate privacy only to the minimum degree necessary and only for legitimate research purposes.

I, the researcher will protect all the information from you the research participants from public disclosure.

The information from the respondents will only be used for the research and not for any other purposes.

I, the researcher, will use codes to protect the identity of all the respondents and the business.

You can at any stage in this research refuse to be interviewed or to answer any question.

You, as the respondent, will remain anonymous and nameless in all the documentation of this research.

I, the researcher, will hold the information about you the respondent in confidence and keep it away from the public

Even as the details of the case are given, you the respondent's identity and the business's identity is protected and remains unknown to the readers of the case.

Yours Sincerely,

Joni Musabayana
Researcher

Annex 5: Informed Consent Statement

To Whom It May Concern

This is to inform you that Joni Musabayana (Student Number: 37309668) is a Doctorate of Business Leadership student with the University of South Africa: School of Business Leadership.

He is pursuing a research on ***SMALL ENTERPRISE GROWTH: THE CRITICAL ROLE OF THE OWNER – MANAGER, A case study of the construction sector in South Africa***

This study seeks to explore the role of the owner manager in driving the growth and transformation of a construction small enterprise into a medium sized enterprise. This research's primary purpose is to explore and describe the phenomena of enterprise growth. It seeks to develop a clearer understanding on how the owner manager of a small enterprise facilitates the growth of a small enterprise into a medium enterprise. It explores how the owner manager undertakes the facilitation role in the growth process. It explores what it is the owner manager does in the process of growth facilitation. It will paint a picture of the enterprise growth process and the unique role of the owner manager in that process.

The researcher will respect your right to privacy as laid out in The Privacy, Anonymity and Confidentiality Pledge attached. The research will also maintain your and your enterprise's anonymity. Even as the details of the case of your enterprise are given, your and your enterprise's name and identity will be protected and will remain unknown to the readers of the case.

Your participation in this research is entirely voluntary. You are free to with draw your participation at any time during the research. You may also refuse to answer any question which you may be uncomfortable with.

The research pledges to share with you the case write up on your enterprise and the summary of the final completed report.

Thank you in advance for your participation in this research.

.....

I _____, knowingly and willingly consent to participate in this research having been fully briefed on the objectives and procedures of the research.

_____ of the firm, business and family, management of the books, profile of workers, role of Information Technology, and owner's management style, role of government, the professional, technical and academic background of the owner manager, race, gender, and the reason for getting into business.

Annex 6: Application Form for Contractor Registration

Construction Industry Development Board



Application For Contractor Registration - Grade 1

INSTRUCTIONS

When completing the application form:

- Print clearly, use black ink, and complete all sections relevant to your enterprise.
- Please submit the entire form to the cidb.
- Photocopy any pages that do not have sufficient space or add a page for additional information.
- Applications without relevant supporting documentation will not be processed. See **Checklist**.
- For more information or assistance, please see our contact details on page 3.

CONDITIONS OF REGISTRATION

The contractor must:

- pay the relevant administration fee(s), for each class of works applying for;
- notify the cidb of any change of particulars relating to an existing registration;
- be free from any restrictions to tender;
- comply with the **Code of Conduct for All Parties Engaged in Construction Procurement**, as published by the cidb in the Government Gazette no. 25656 of 2003.
(Also available at: www.cidb.org.za)
- renew registration every three years for requirement of grades.

Section F Checklist For Supporting Documentation

Please provide the following supporting documentation

- For Company/ Close Corporation: Certificate of Incorporation & most recent name change.
Company: Shareholder certificates
- For Trusts: a copy of the trust deed
- Attach certified copies of Identity documents for a maximum of 20 principals. Use separate list, if necessary
- Attach certified copies of Electrical Contractor's Certificate issued in the name of the enterprise (for electrical class of works only)
- Attach proof of payment of fees
- Attach original valid Tax Clearance Certificate

Supplied by
Contractor

Received
(OFFICE USE ONLY)

Note: Registration is valid for a period of three years. Please notify the cidb of any change of your particulars. Incomplete application result in delays in processing. Applications without relevant supporting documentation will not be processed.

Section G Declaration By Contractor

Please tick the box if you consent to the sharing of financial information supplied to the cidb with an approved and authorised financial services provider

In support of facilitating access to finance for contractor growth and development, I hereby authorise the cidb to disclose financial information to an approved and authorised financial services provider upon request for such.

I, the undersigned, hereby:

• declare that:

- I am duly authorised to sign this application on behalf of the enterprise,
- The information furnished, as well as all documentation submitted in support of this application, is true and correct in every aspect; and have been lawfully obtained; (Please attach a valid, original Tax Clearance Certificate.)
- The enterprise will abide by the **Code of Conduct for All Parties Engaged in Construction Procurement**, as published by the cidb in the Government Gazette no. 25656 of 2003. (Also available at www.cidb.org.za)
- Neither the name of the enterprise or the name of any partner, member, director, manager or person, who wholly or partly exercises, or may exercise, control over the enterprise, appears on the Register of Tender Defaulters established in terms of the Prevention and Combating of Corrupt Activities Act of 2004;
- No partner, member, director, manager or other person, who wholly or partly exercises, or may exercise, control over the enterprise, has within the last five years been convicted of fraud or corruption;
- I will provide to the cidb any additional information that may be required with regards to this application.

• understand that:

- Registration is subject to the conditions referred to on the **front cover** of this form;
- Incomplete applications result in delays in processing.
- Applications without relevant supporting documentation will not be processed.
- The administration fee payable per class of works applied for is non-refundable.
- The cidb will grade my enterprise based on the information provided.
- False information provided or a false declaration is a punishable offence in terms of the cidb ACT, Regulations and other applicable laws.

• authorise:

- The cidb to verify the information supplied in this form;
- The cidb to publicly display my contractor grading designation.

Enterprise Name: _____

Signature: _____ Date: DD/MM/YYYY

Designation: _____ Print Name: _____

Please complete SECTION F: Checklist above

cidb Construction Contact Centre's (CCC's)

Western Cape 140 Long Street Cnr Long & Corp Street Cape Town Tel: 0861 927 222 Fax: 086 674 0293	KwaZulu Natal Department of Public Works 426 Bank Bonnie Road Mayville Tel: 0861 596 222 Fax: 086 686 5602	Eastern Cape Department of Public Works Qhesana Building Independent Avenue Bhisho Tel: 0861 222 327 Fax: 086 674 2908	Gauteng Blocks N & R SABCO Campus 2 Dr Lalegani Road Groenkloof, Pretoria Tel: 0861 428 222 Fax: 086 650 8569	North West Department of Public Works Old Parliament Building Modiri Molema Road Gate House Mmabatho Tel: 018 387 2150 / 2435 Fax: 086 681 5486
Limpopo Department of Public Works Ladiana Cnr Yster and Blaauwberg Street Limpopo Tel: (015) 293 9627	Mpumalanga Corner Samora Machel & Paul Kruger Street Nelkity Building - Office G15 Nelspruit, 1200 Tel: 0861 678 222 Fax: 0866 856 733	Free State Medford Building St. Andrews Street Ground Floor, Bloemfontein Tel: 0861 377 222 Fax: 086 562 8692	Northern Cape Regional Department of Transport, Roads & Public Works 45 Schmidtsdrif Road Kimberley Tel: 0861 222 627 Fax: 086 690 6295	CIDB HELP LINE: 0860 103 353 CIDB FRAUD HOTLINE: 0800 112 432

Section A Type Of Application Please indicate with an 'X'

New Application
 Three Year Renewal ciib registration number: _____ Addition of a Class of Works

Section B About Your Enterprise

Name of Enterprise: _____

Trading as: _____

Type of Enterprise Please indicate with an 'X'

Public Company Private Company Close Corporation
 Sole Proprietor Partnership Section 21 Company Other (Please specify): _____

Date Enterprise Registered: _____ Date operations started: _____

Company/CC Registration Number: _____

Physical Address: _____ Postal Address: _____

_____ Code: _____ _____ Code: _____

Province _____ Province _____

Province _____ Province _____

Contact Person

Title: _____ Initials: _____ Surname: _____

Designation: _____ email: _____

Telephone: (____) _____ Fax: (____) _____ Cell: _____

Bank Details

Bank Name: _____ Branch Name: _____ Branch Code: _____

Account Holder's Name: _____ Account Number: _____

Account Type: Please indicate with an 'X' Current Savings Cheque Other: specify _____

Principals and Ownership/Interest

Complete details for each principal in the Enterprise and attach copy of Identity Document for each. (See Section F: Checklist).

A principal is a partner in a partnership, a sole proprietor, a director in a company or a member of a close corporation.

Note: Use separate list if necessary.

Initials and Surname	Identity Number	RSA Citizen		Black		Gender		% of work time devoted to this enterprise	% of shares or interest held	% voting rights
		Y	N	Y	N	M	F			

B-BBEE Status: *OPTIONAL*

Date of Certification: DD / MM / YYYY Expiry Date: DD / MM / YYYY

1 Attach copy of an originally certified B-BBEE Profile or B-BBEE Certificate

Section C Registration As A Potentially Emerging Enterprise

(Please complete this section in order to be considered for potentially emerging enterprise status)

"Emerging enterprise" means an enterprise which is owned, managed and controlled by previously disadvantaged persons and which is overcoming business impediments arising from the legacy of apartheid.

Management Decisions and Control

State the names of previously disadvantaged principals responsible for day to day decisions and indicate with an "X" which activities they are responsible for.

Name	Payment Authorization & Cheque signing	Signing & co-signing for loans	Acquisition of lines of credit	Sureties	Major purchases or acquisitions	Signing contracts	Supervision of personnel

Section D For Registration In Electrical Engineering

(Applicable to contractors applying for EB Class of Works only)

Do you possess a valid electrical contractor's certificate issued by the Electrical Contracting Board of South Africa?

YES NO

Attach certified copy of Electrical Contractor's Certificate, issued in the name of the enterprise. (See Section F: Checklist)

Registration Number: _____ Expiry Date: _____

Section E Fees Payable **Note:** Contractors must pay for each class of works applying for.

Code			
GB	General Building	R 450.00	<input type="checkbox"/>
CE	Civil Engineering	R 450.00	<input type="checkbox"/>
EB	Electrical Engineering Works - Building	R 450.00	<input type="checkbox"/>
EP	Electrical Engineering Works - Infrastructure	R 450.00	<input type="checkbox"/>
ME	Mechanical Engineering	R 450.00	<input type="checkbox"/>
SB	Asphalt works (supply & lay)	R 450.00	<input type="checkbox"/>
SC	Building Excavations, shaft sinking, lateral earth support	R 450.00	<input type="checkbox"/>
SD	Corrosion protection cathodic, anodic & electrolytic)	R 450.00	<input type="checkbox"/>
SE	Demolition and blasting	R 450.00	<input type="checkbox"/>
SF	Fire prevention & protection systems	R 450.00	<input type="checkbox"/>
SG	Glazing, curtain walls & shop fronts	R 450.00	<input type="checkbox"/>
SH	Landscaping, irrigation & horticultural works	R 450.00	<input type="checkbox"/>
SI	Lifts, escalators & travellers (installation, commissioning & maintenance)	R 450.00	<input type="checkbox"/>
SJ	Piling & specialised foundations for buildings & structures	R 450.00	<input type="checkbox"/>
SK	Road markings & signage	R 450.00	<input type="checkbox"/>
SL	Structural steelwork fabrication & erection	R 450.00	<input type="checkbox"/>
SM	Timber buildings & structures	R 450.00	<input type="checkbox"/>
SN	Waterproofing of basements, roofs & walls using specialist systems	R 450.00	<input type="checkbox"/>
SO	Water supply & drainage for buildings (wet services, Plumbing)	R 450.00	<input type="checkbox"/>
SQ	Steel Security Fencing or Precast Concrete	R 450.00	<input type="checkbox"/>

Total fees payable: R _____

How are you paying? Cash Deposit* Credit / Debit Card Electronic Funds Transfer

cidb Account Details

Bank: Standard Bank **Branch:** Menlyn **Account Type:** Current Account **Account Number:** 03 224 3464
Branch Code: 01-23-45-15 **Account Name:** Construction Industry Development Board NO. 2

* Please note that the cidb does not accept cash payments. Cash deposits may be transferred into the abovementioned cidb account.

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Section F Checklist For Supporting Documentation

Please provide the following supporting documentation Required Documents		SUPPLIED BY CONTRACTOR		RECEIVED OFFICE USE ONLY	
		Yes	No	Yes	No
✓	Close Corporation (latest CK1 / CK2)				
✓	Company: Certificate of Incorporation (Cm1) List of all active directors (Cm29) Share Certificates All name change certificates (Cm9) (if applicable)				
✓	Partnership Partnership Agreement				
✓	Trust A copy of the latest deed or Jm21				
✓	Attach copies of originally certified copies of identity documents by a Commissioner of Oaths (for a maximum 20 principals)				
✓	Attach certified copies of Electrical Contractor's Certificate by a Commissioner of Oaths issued in the name of the enterprise – (applicable for EB Class of Works only)				
✓	Attach proof of payment of fees / copy of deposit slip				
✓	Attach original valid Tax Clearance Certificate				
✓	Ensure that the declaration is signed				

Note: Registration is valid for a period of three years. Please notify the cidb of any change of your particulars. Incomplete application result in delays in processing. Applications without relevant supporting documentation will not be processed.

Section G Declaration By Contractor

Please tick the box if you consent to the sharing of financial information supplied to the cidb with an approved and authorised financial services provider
In support of facilitating access to finance for contractor growth and development, I hereby authorise the cidb to disclose financial information to an approved and authorised financial services provider upon request for such.

I, the undersigned, hereby:

• declare that:

- I am duly authorised to sign this application on behalf of the enterprise,
- The information furnished, as well as all documentation submitted in support of this application, is true and correct in every aspect; and have been lawfully obtained; (Please attach a valid, original Tax Clearance Certificate.)
- The enterprise will abide by the **Code of Conduct for All Parties Engaged in Construction Procurement**, as published by the cidb in the Government Gazette no. 25656 of 2003. (Also available at www.cidb.org.za)
- Neither the name of the enterprise or the name of any partner, member, director, manager or person, who wholly or partly exercises, or may exercise, control over the enterprise, appears on the Register of Tender Defaulters established in terms of the Prevention and Combating of Corrupt Activities Act of 2004;
- No partner, member, director, manager or other person, who wholly or partly exercises, or may exercise, control over the enterprise, has within the last five years been convicted of fraud or corruption;
- I will provide to the cidb any additional information that may be required with regards to this application.

• understand that:

- Registration is subject to the conditions referred to on the **front cover** of this form;
- Incomplete applications result in delays in processing.
- Applications without relevant supporting documentation will not be processed.
- The administration fee payable per class of works applied for is non-refundable.
- The cidb will grade my enterprise based on the information provided.
- False information provided or a false declaration is a punishable offence in terms of the cidb ACT, Regulations and other applicable laws.

• authorise:

- The cidb to verify the information supplied in this form;
- The cidb to publicly display my contractor grading designation.

Enterprise Name: _____

Signature: _____ Date: DD/MM/YYYY

Designation: _____ Print Name: _____

Please complete SECTION F: Checklist above

cidb Construction Contact Centre's (CCC's)

Western Cape 140 Long Street Cnr Long & Dorp Street Cape Town Tel: 0861 927 222 Fax: 086 674 0293	KwaZulu Natal Department of Public Works 425 Bink Bonnie Road Mayville Tel: 0861 596 222 Fax: 086 666 5602	Eastern Cape Department of Public Works Qhasana Building Independent Avenue Bheiso Tel: 0861 222 327 Fax: 086 674 2908	Gauteng Blocks N & R SABIC Campus 2 Dr Lategan Road Groenkloof, Pretoria Tel: 0861 428 222 Fax: 086 660 8569	North West Department of Public Works Old Parliament Building Modiri Molema Road Gate House Mmabatho Tel: 018 387 2150 / 2435 Fax: 086 681 5486
Limpopo Department of Public Works Ladanna Cnr Yster and Blaauwberg Street Limpopo Tel: (015) 293 9627	Mpumalanga Corner Samois Machel & Paul Kruger Street Nelscity Building - Office G15 Nelspruit, 1200 Tel: 0861 678 222 Fax: 0866 856 733	Free State Medford Building St. Andrews Street Ground Floor, Bloemfontein Tel: 0861 377 222 Fax: 086 552 6692	Northern Cape Regional Department of Transport, Roads & Public Works 45 Schimidtstr Road Kimberley Tel: 0861 222 627 Fax: 086 690 6295	CIDB HELP LINE: 0860 103 353 CIDB FRAUD HOTLINE: 0800 112 432

Annexure 7: List of Primary Data Kept By the Candidate

1. Copies of the Filled in **In-depth Semi Structured Interview Guide** by all the Respondents
2. Scripts of the follow up **Face to Face and Telephone Interviews** for all the respondents and their employees
3. Scripts of the **Observation Notes** filled in for all respondents
4. List of all the documents used in the **Document Review** for the respondents
5. The completed **The Privacy, Anonymity and Confidentiality Pledge** by all the respondents
6. The completed and signed **Informed Consent Statement** by all the Respondents

Annexure 8: The Stages Where Member Check Reviewed and The Main Advice Given

Literature Review: divide the literature into Global, African and South African

Methodology: remove the Focus Groups as a data gathering tool as it will be difficult if not impossible to arrange given the busy schedules of the respondents

Presentation of Findings: summarize the data found in Table format as it relates to the thematic areas from the literature review

Analysis of Findings: focus only on those findings that relate to the propositions