

SMEs AND BLACK ECONOMIC EMPOWERMENT IN THE CONSTRUCTION INDUSTRY: THE CASE OF GAUTENG PROVINCIAL HOUSING DEPARTMENT.

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Abstract

Poverty and entrenched inequality in South Africa was one of the main reasons for the enactment of BBBEE Act to promote amongst others, SMMEs. BEE-SMMEs are, however, faced with many challenges such as; lack of managerial skills, lack of finance, lack of market information, bad governance, legal and administrative hindrances ,etc . This paper sought to explore the perception of SMME contractors in the Housing Department of the Gauteng Provincial Government toward Black Economic Empowerment (BEE) interventions. Secondly, it sought to determine the level of compliance with quality assurance regulations and customer needs, and thirdly, to determine how service delivery by the Housing Department impacts on the performance of BEE SMMEs in the industry. A cross-sectional exploratory research design was adopted in which a sample of 123 contractors was purposefully selected and used as respondents. The findings revealed amongst others that, BEE SMMEs have inadequate technical and managerial skills and insufficient understanding of tender documentation. Based on the findings I recommend that SMME contractor and their employees possess relevant technical skills before inclusion for tender awards.

1.1 introduction and statement of the problem

The eradication of poverty and entrenched inequality in South Africa was one of the main reasons for the enactment of the Black Economic Empowerment Act (BEEA), which was or/ is to serve as a socio-economic transformation strategy to redress the disparities of the past. Hence, in order to enhance equity in incomes, wealth, increased levels of black participation, including black women and youth in ownership, and transfer and retention of skills, South Africa's small, micro and medium sized enterprises have been actively promoted since 1995 through different measures including

BEE interventions. This was due to their perceived contribution to job creation, income generation and distribution; market competition and innovation, and revitalisation of communities (Temtime and Pansiri, 2006:55; Reid and Harris, 2004; Machacha, 2002:277; Lange et al., 2000:6; Robbins et al., 2000; Tonge et al., 2000; Westhead and Birley, 1995).

It is against this background that Broad-Based-Black Economic Empowerment (BBBEE) has been embraced to promote amongst others, SMMEs. SMMEs are not homogeneous set of businesses; they are heterogeneous group of businesses operating in all sectors of the economy, such as the construction sector that forms the focus of this paper. They vary in size, age, sector, motivation, mode of organization, ethnic background, location, knowledge base, power and control of resources and innovative capacity (Vivienne and Roberts, 2005:522).

BEE-SMMEs are, however, faced with many challenges. These include; lack of managerial skills, lack of finance, lack of market information, bad governance, legal and administrative hindrances, low quality products, competition from large companies and a heavy regulatory burden (Ting, 2004, Qiang et al., 2006; Hanqin and Morrison, 2007:277). Other challenges include access to appropriate technology, culture, entrepreneurial capacity and government policies amongst others (Orford et al 2003:11). As a result, many SMMEs are struggling for survival, with more emphasis being placed on short term profits rather than on growth and long-term competitiveness (Helen et al., 2003:315).

This paper has three objectives. Firstly, it seeks to explore the perception of SMME contractors in the Housing Department of the Gauteng Provincial Government toward Black Economic Empowerment (BEE) interventions. Secondly, it seeks to determine the level of compliance with quality assurance regulations and customer needs, and thirdly, it wants to determine how service delivery by the Housing Department impacts on the performance of BBBEE SMMEs in the industry. The remainder of this paper presents a review of related literature, methods and procedures, results, conclusion and recommendations.

1.2 Review of related literature

1.2.1 Economic transformation and black economic empowerment

The ANC led government inherited an economy that was massively distorted by past political and economic policies. Inequalities of income, wealth and skills existed between racial groups, between men and women and between rural and urban areas. Studies at the time showed that South Africa had the most unequal economy in the world due to the black majority having effectively been excluded from economic ownership and control, thereby deliberately undermining black people's ability to accumulate capital (Green Paper 2007:9).

When the new government took over, various policies had to be put in place to redress past imbalances. These included cross-cutting and sector specific transformation policies addressing the macroeconomic as well as microeconomic constraints to growth. These policies included a wide range of national programmes which were designed to assist entrepreneurship development and the upgrading of the small, medium and micro-enterprise economy (DTI, 2004).

One such programme was the Black Economic Empowerment introduced through the Black Economic Empowerment Act of 2003. The Act defines Broad-Based Black Economic Empowerment (BBBEE) as "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country's economy, as well as significantly decreases income inequalities"(DTI,2003) ..

According to Shilowa (2006),

"the objective of BBBEE is to effect transformation and ensure the redistribution of the country's wealth, as well as address the inequalities and distortions caused by years of apartheid thereby stimulating development and shared growth."

Hence, transformation has received ample attention in the government's macroeconomic policy programmes including the reconstruction and development programme, the growth, employment and redistribution programme and the accelerated and shared growth initiative of South Africa (Price, R.M: 1991). It has become synonymous with the process of political, socio-economic

and cultural change that is associated with the realignment of various societal sectors to make it inclusive of all South Africans.

1.2.2 BBBEE and SMME Development

The Gauteng provincial government launched the Broad-Based Black economic Empowerment (BBBEE) strategy in 2006 to address the marginalisation and exclusion from the economy of black people, women and people with disabilities. Hence, between 2006 and 2009, BBBEE SMMEs obtained business worth more than R7 billion. A total 1 687 BBBEE companies and 1 139 SMMEs were awarded contracts by the department in the fiscal period 2007/2008. The value of these contracts amounted to about R4 billion for BBBEE companies and R2 billion in the case of SMMEs. On the other hand, the construction of the Gautrain Rapid Rail Link had, in the 2007/2008 fiscal year alone, spent R1.89 billion in procurement from and sub-contracting to BBBEE companies and BEE SMME's (MEC Jacobs, 2008). The opportunities in procurement of services and subcontracting were aimed at supporting emerging contractors in the province.

In addition, the department runs a support programme for emerging contractors who have been awarded construction contracts, under the auspices of a trading entity known as Impophoma Infrastructure Support Entity. Impophoma leases fleet and plant equipment at reasonable prices to SMMEs, thus ensuring that they become sustainable concerns. Construction contractors also receive assistance from the Construction Industry Development Board (CIDB) for registration plus free training on business planning, modeling and marketing.

That notwithstanding, the province continues to bear unacceptably high levels of inequality, poverty and unemployment (Shilowa, 2006).

1.2.3. Public service delivery

The challenge of service delivery is an aspect that most governments throughout the world must overcome (Pelser & Louw, 2002: 3). The South African Constitution puts the citizen first in the delivery of public services (Hackl & Westlund, 2000:84). To further this objective, the government has adopted the Batho Pele principles as a deliberate strategy to instill a culture of accountability and caring by public servants. Through this strategy public servants are expected to be service orientated, strive for service excellence and to commit to continuous service delivery improvement.

The eight Batho Pele principles that guide public servants in this regard include:

- **Consultation:** citizens should be consulted about the level and quality of public services they receive, and wherever possible, should be given the choice about the services that are offered.
- **Service standards:** citizens should be told what level and quality of public service they will receive so that they are aware of what to expect.
- **Access:** all citizens should have equal access to the services to which they are entitled.
- **Courtesy:** citizens should be treated with courtesy and consideration.
- **Information:** citizens should be given full, accurate information about the public services they are entitled to receive.
- **Openness and transparency:** citizens should be told how national and provincial departments are run, how much they cost and who is in charge.
- **Redress:** if the promised standard of service is not delivered, citizens should be offered an apology, a full explanation and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.
- **Value for money:** public services should be provided economically and efficiently

1.2.4 Quality assurance and management

Quality is the ability of a product or service to consistently meet or exceed customer expectations. Quality assurance emphasises on finding and correcting defects in services or products before reaching customers (Stevenson, 2007).

Quality is widely recognised as one of the most important strategies that organizations can use to remain competitive. In this era of global competition, a company needs to apply systems and policies such as quality management, quality systems, quality assurance, quality control, etc. In other words, business organizations have to implement the concept of total quality management (TQM) in order to survive. Some of these private sector competitive strategies have been adopted in the public sector. Thus, the construction industry is expected to deliver projects that are predictable with regard to cost, time and quality (Egan, 1998; DTI, 2002).

Quality in public service delivery is not about government telling service providers what to do, nor about SMME contractors deciding what they wish to do. Instead, as Ash points out “quality can be best assured by collaboration” (Ash, 1992). This means that the stakeholders must be central to the quality process. Stakeholders include statutory office holders such as premiers; project managers in government departments; and citizens as beneficiaries (Ribbins and Burrige (1992).

Ensuring quality starts with establishing stakeholders’ needs. Quality assurance thus has to be a public process – especially in the case of government- funded projects. If stakeholders wish to be assured of the quality of their projects, then they must wrestle with the problems of identifying what constitutes quality, how that quality is demonstrated and how it might be measured. As Loder puts it: “Quality assurance mechanisms must be explicit rather than implicit - institutions should be able to demonstrate their commitment to maintaining and raising the quality of their work in a manner consistent with their recognized objectives” (Loder, 1990: 5).

Government policies for quality assurance systems in different forms and with different names for different activities operate in several countries. At the policy level, quality assurance is about control of standards measured in terms of accountability. At the operational level they focus on the quality of the services experienced and achieved (Kistan, 1996).

Critical to both quality assurance systems and quality improvement in organisations is the relationship between suppliers of goods and services and consumers. Suppliers determine the quality of the products and services they sell to customers. However, powerful customers can impose systems on their suppliers with the aim of controlling the quality of the products and services they receive from their suppliers. This later instance refers to, for example, the government as a large customer for services and goods and large-scale business entities, who both are large customers for goods and services (Grocock, 2000).

Organisations as customers require assurance that products /services conform to the specifications. To do this, specific employees are appointed to perform functional tests on specified functional performance of the products or use attribute sampling of the products to assure quality. Thus, quality assurance places strong emphasis on inspection and conformance to specification and

following strict procedures. In many industrialised countries, ISO 9000 remains rooted in the philosophy of inspection, as an aspect of total quality management.

TQM - has been defined as a management philosophy embracing all activities through which the needs and expectations of the customer and the community, and the objectives of the organisation are satisfied in the most efficient and cost effective way by maximising the potential of all employees in a continuing drive for improvement (Dale,1994).The total quality concept considers the organisation as a system that stresses the involvement of all persons in the organisation working towards getting things “right first time” by designing in quality and developing a continuing process of continuous improvement (Imai, 1986).

According to McAdams (2000), the principles of TQM should be strategically linked to the organisational goals, customer satisfaction; employee participation in continuous improvement; and management commitment and constancy of purpose. However, total quality management has been adopted unevenly in countries, sectors and product areas. It has occurred alongside, as well as independently of, quality-based standards like ISO 9000.

1.3 Methods and procedures

To quote Webb & Auriacombe (2006), what is important in a research project is:

“to select those methods and techniques which are appropriate to the research goal. Thus, different studies should use different methods and a particular method, appropriate for the task at hand”.

A cross-sectional exploratory research design was used. Exploratory research is one of the quasi-experimental research designs that are often called *ex post facto* research designs (Kerlinger, 1979). The approach was used because of a need to obtain the contractors’ perception pertaining to service delivery in the Department , and because it was efficient and a tested means of assessing information about large populations, especially in instances where individual perceptions as regards the current investigation were sought(Creswell, 2007: 40). Thus, the approach was suitable, as the research lacked established findings in the South African context (Bless & Higson-Smith, 1995:42).

The variables we were interested in have not been studied before, either independently, or with other variables, so that there is

sufficient information to ask a question about the relationship between them. Therefore, the design did not dictate how the variables were to be measured in testing their relationship.

1.4 Population and sample size

The population from which the sample was drawn comprised of SMME contractors in the Housing Department in the Province. A sample of 123 contractors was purposefully selected as all contractors were available and willing to participate in the study. The respondents were drawn from the following four main regions/municipalities of the Gauteng Province:

- Ekurhuleni Metropolitan Municipality
- Tshwane/Metsweding Region
- West Rand/Sedibeng
- Johannesburg Region

1.5 Methods

To collect data a survey method was used in which two sets of carefully planned questionnaires were designed and distributed for completion by the SMME contractors and project managers respectively.

1.5.1 Validity and reliability

The researcher sought to obtain valid knowledge, that is, results that are true on the investigation on SMME contractors and Broad-Based Black Economic Empowerment in the Housing Department. To achieve this goal, the researcher ensured that the research instrument actually measured the constructs or concepts intended to be measured (Ghuri & Gronhaug, 2005:65). Hence, in order to ascertain the internal validity and reliability of the research instrument, a pre-test of the instrument was conducted among 5 SMME contractors (Carmines & Zeller, 1979, Baker, 1994:182-3). The goals of the pre-test were to assess the clarity of the questions, to determine the length of time required for completion and to examine the appropriateness of the subject matter for the population under study. Based on this feedback, final changes were made to the questionnaire.

The survey instruments contained variables relating to the following constructs: demographic profile of the respondents, contribution of BEE interventions in the construction industry, service delivery in the Housing Department, challenges facing SMMEs in the

construction Industry, government interventions in the development of SMMEs in the construction industry, quality assurance and compliance and quality assurance management techniques.

The variables were measured using a Likert scale containing five categories of responses scored as follows:(5 strongly agree, 4 Agree, 3 Neutral 2 Disagree and 1 strongly disagree). Since the constructs of interest were varied, a vast number of items were used for each target construct. Cronbach's alpha was used to test the reliability of the measurement scales as suggested by Hair et al (1989).The internal consistency of the different constructs is presented in the tables below.

Table 1: Cronbach's alpha values for the items measured in the service delivery construct

STATEMENTS		CRONBACH'S ALPHA
Q3.1	Managers in the Housing Department make an effort to know customers and their needs.	.688
Q3.2	Managers in the Housing Department are always willing to help customers and provide prompt service.	.693
Q3.3	I am happy with the services offered by the Housing Department .	.680
Q3.4	Improvements are needed in service delivery.	.713
Q3.5	My payments for services rendered are processed in time.	.757
Q3.6	Payment certificates are delayed.	.783
Q3.7	Turn around time on payment for services rendered should be improved	.735
Q3.8	Contact staff in the Housing Department is friendly, polite, respectful and considerate.	.683
Q3.9	The services offered by the Housing Department are reliable.	.681
Q3.10	The Housing Department complies with the procurement regulations.	.675
Q3.11	Departmental employees are readily available to provide information on contracts and on other services.	.664
Average Cronbach's alpha		.70

Table 2: Challenges facing SMME contractors

STATEMENTS		CRONBACH'S ALPHA
Q4.1	There is an exaggerated risk perception of SMMEs on the part of bankers.	.855
Q4.2	SMME contractors have poor project management skills	.860
Q4.3	SMME contractors have inadequate skills and capacity (depend on outsourced personnel).	.855
Q4.4	Competition from large contractors.	.861
Q4.5	Excessive regulatory burden.	.855

Q4.6	Inability to provide securities, raise insurance and obtain professional indemnity.	.854
Q4.7	The contracts are inevitably packaged in such a way as to exclude small contractors.	.860
Q4.8	Inadequate technical and managerial skills required in project implementation.	.861
Q4.9	Inadequate approach, knowledge, and experience required for the whole process of finding work	.859
Q4.10	Insufficient understanding of the contract documentation and the preparation and submission of tenders.	.860
Q4.11	Lack of information to BEE SMME.	.853
Q4.12	Programmes aimed at supporting BEE SMME are not effective.	.862
Q4.13	Low quality products.	.864
Q4.14	Slow payment by government after completing projects.	.868
Q4.15	Capital to buy Equipment	.858
Q4.16	Inappropriate procurement procedures and processes with ineffoicient systems.	.858
Q4.17	Financial Constraints	.860
Q4.18	Relationships between emerging contractors and Suppliers	.856
Average Cronbach's alpha		.866

Table 3: Government Interventions

STATEMENTS		CRONBACH'S ALPHA
Q5.1	There are sufficient government subsidies available for BBBEE enterprises	.800
Q5.2	Support of new and growing enterprise is a high priority for Gauteng Provincial Government	.795
Q5.3	BEE SMME entities that need assistance from government find what they need.	.797
Q5.4	There are agencies formed by Government to assist BEE SMMEs.	.811
Q5.5	The government has a dedicated SMME contractor support programme.	.795
Q5.6	SMMEs in the construction industry are provided with technical assistance.	.798
Q5.7	There is a partnership between Government and Financial Institutions to support SMMEs' in the construction industry access project finance.	.823
Average Cronbach's alpha		.826

Table 4: Quality assurance and compliance

STATEMENTS		CRONBACH'S ALPHA)
Q6.1	My business entity is registered with the CIDB	.866
Q6.2	My business entity is registered with the NHBRC.	.862

Q6.3	My business entity is registered with the SARS	.860
Q6.4	My entity constantly strives to improve service levels to the customers.	.851
Q6.5	Have you ever been questioned on the quality of your work?.	.855
Q6.6	Contractors deliver services timeously i.e perform the promised service(s) dependably, accurately and timely.	.851
Q6.7	Contractors comply with project specifications.	.846
Q6.8	Contractors are flexible in handling multi-task projects by sub-contracting to assure quality of services rendered.	.851
Q6.9	Customers complain about the products of some contractors.	.860
Q6.10	Contractors maintain high service standards to survive and remain competitive in the construction environment.	.853
Q6.11	Customers are provided with services that adds value.	.859
Q6.12	Contractors possess the required skills and knowledge to perform the services tendered.	.848
Q6.13	Government employees in the Housing Department are credible–trustworthy, believable and honest.	.849
Q6.14	Existence of conflict in service specifications versus service delivery resulting from the quality of employees hired by contractors.	.850
Q6.15	There is compulsory competitive tendering.	.851
Q6.16	Inadequate commitment to service quality by contractors (poor project feasibility hence inadequate task standardisation).	.853
Q6.17	Existence of discrepancies between customer expectations (influenced by the extent of personal needs, word of mouth recommendation and past service experiences) and their perceptions of the service delivered.	.853
Q6.18	Inadequate horizontal communication in the Department and external to the users of service providers.	.846
Q6.19	The Department has established benchmarks, tracking, monitoring and accounting measures to assure quality.	.855
Average Cronbach's alpha		.860

Table 5: Usage of quality assurance management techniques

STATEMENTS		CRONBACH'S ALPHA
Q7.1	Customer satisfaction surveys are conducted.	.817
Q7.2	Customer awareness through beneficiaries' education /road shows is conducted by the Department.	.809
Q7.3	The Department has a quality steering group/committee.	.819
Q7.4	Quality improvement on service delivery has been evolving over time.	.821
Q7.5	Quality awards or prizes are given to best service providers.	.801
Q7.6	Customer needs surveys are conducted before initiation of new housing projects.	.814
Q7.7	Just –in- time approach is applied to service providers.	.815

Q7.8	The Department uses its vision and mission statement to provide quality public services.	.814
Average Cronbach's alpha		.833

1.6 Results

The respondents were provided with the following two statements and required to rate those on a scale of 1-5, where 5 indicated that they strongly agree and 1 that they strongly disagree:

“Preferential procurement policy has assisted in creating employment and income redistribution within the society”.

“Redistribution of income and wealth within the society is a way to create employment and reduce crime in the society”.

82.1 percent of the SMME contractors agreed that preferential procurement policy had assisted in creating employment and income redistribution within the society, while 83.8 percent of these respondents agreed that redistribution of income and wealth within society is (was) a way to create employment and reduce crime in society.

1.6.1 PUBLIC SECTOR SERVICE DELIVERY

The interviewees were provided with 11 statements relating to service delivery by employees in the Housing Department, and asked to rate each one of them on a scale of 5 to 1 depending on individual perception (5=strongly agree; 4=agree; 3=neutral; 2=disagree and 1=strongly disagree). Accordingly, 77 percent of the respondents indicated that managers in the Housing Department make an effort to know customers and their needs, but 4.9 percent disagreed. With regard to prompt provision of service by the Housing Department, 77 percent of the respondents strongly agreed that there was prompt provision of service while 11 percent of the rest of the respondents had an opposite view, with 12 percent remaining neutral. 65 percent of the respondents were happy with the services offered by the Department of Housing. Notwithstanding this, some SMME contractors provided contradictory responses. For example, 30 percent of the respondents felt that turnaround time on payment for services rendered needed improvement. However, as for compliance with the procurement regulations, 69 percent of the respondents expressed satisfaction.

1.6.2 CHALLENGES FACING SMMEs IN THE CONSTRUCTION INDUSTRY

The interviews were provided with statements relating to challenges encountered by SMME contractors and asked to rate each on a scale of 5 to 1. Accordingly, 57 percent of the respondents indicated that there was an exaggerated risk perception of SMMEs by bankers; SMMEs had poor project management skill (67.5 percent); experienced competition from large contractors (66 percent); inability to provide securities, raise insurance and obtain professional indemnity (66 percent); have inadequate technical and managerial skills required in project implementation (67.5 percent); insufficient understanding of the contract documentation and the preparation and submission of tenders (63.4 percent). Programmes aimed at supporting BBEE SMMEs are ineffective (64 percent); there is slow payment by government after completing projects (57 percent); and that there is lack of relationship between emerging contractors and suppliers (57 percent).

1.6.3 GOVERNMENT INTERVENTIONS IN THE DEVELOPMENT OF SMMEs IN THE CONSTRUCTION INDUSTRY.

The empirical results on government interventions revealed the following: There are sufficient government subsidies available for BBEE enterprises (57.7 percent); support of new and growing enterprise is a high priority for the Gauteng Provincial Government (73.9 percent); there are agencies formed by Government to assist BBEE SMMEs (67.5 percent); the government has a dedicated SMME contractor support programme (61 percent); SMMEs in the construction industry are provided with technical assistance (61.8 percent), and that there is partnership between Government and financial institutions to support SMME's in the construction industry access project finance (53.2 percent).

1.6.4 QUALITY ASSURANCES AND COMPLIANCE

The interviewees were asked to respond to 14 statements relating to quality assurance. They were asked to rate each item on a scale of 5 to 1. Accordingly, 56 per cent of the respondents indicated that they had been questioned on the quality of their work. 70 percent indicated that they delivered services timeously while 13 percent

said they do not. 73 percent indicated that they comply with project specifications and are flexible in handling multi-task projects by subcontracting to assure quality of services rendered (76 percent); customers complain about the products of some SMME contractors (68 percent), and that customers are provided with services that add value (65 percent). The survey further revealed that, existence of conflict in service specifications versus service delivery resulted from the quality of employees hired by the SMME contractors (48 percent). Nonetheless, contractors maintain high service standards to survive and remain competitive in the construction environment (70 percent). The study also revealed that government employees in the Housing Department are credible– trustworthy, and honest, with a mere 18 percent saying that they are not. Further, it was found that, there is inadequate commitment to service quality by some contractors (inadequate task standardisation) (57 percent) That notwithstanding, the Department has established benchmarks, tracking, monitoring and accounting measures in place to assure quality (66 percent).

1.6.5 USAGE OF QUALITY MANAGEMENT TECHNIQUES

69 percent of the respondents indicated that customer satisfaction surveys are conducted after the delivery of the services. 82 percent indicated that customer awareness through beneficiaries' education /road shows is conducted by the Department. Besides, customer needs surveys are conducted before initiation of new housing projects (62.6 percent). However, quality improvement on service delivery has been evolving over time (77 percent), and the Just In Time approach is applied in the appointment of service providers (66 percent).

1.7 DISCUSSION OF THE FINDINGS

The small business sector in South Africa is highly diverse in terms of structure, problems, growth potential and access to support. This diversity applies not only to the different economic sectors but also to the various stages of growth of these enterprises. Support of SMMEs has been adopted as a strategy to develop entrepreneurship and accelerate economic development in the country. SMMEs play a critical role in the economy, as demonstrated by the number of people they employ and their overall contribution. For example, according to Rwigema and Venter (2004: 393), it is estimated that

the SMME sector accounts for 3.5 million jobs in South Africa. Hence, the South African government has put interventions in place that support the development of BBEE SMMEs. For example, 93.2 percent of the respondents agree that the preferential procurement intervention in the promotion of black SMMEs has assisted in creating employment and income redistribution within society.

Regarding promptness in the provision of service by the Housing Department, the majority of the SMME contractors (77 percent) are generally happy with the services offered by the Department. That notwithstanding, 30 percent of the SMME contractors strongly feel that improvements are needed in service delivery, in particular with regard to turnaround time on payment for services rendered. However, the challenge of service delivery in government is not unique to South Africa. Most governments in the world experience this and strive towards customer satisfaction (Pelser and Louw, 2002:3; Arawati, Sunita and Kandampully, 2007). To achieve the customer satisfaction objective, the South African government has adopted the Batho Pele principles as a deliberate strategy to instill a culture of accountability and caring by public servants. Through this strategy public servants are expected to be service orientated, strive towards service excellence and commit to continuous service delivery improvement (Pelser and Louw, 2002: 3).

As for the challenges facing SMMEs in the construction activities of the housing department, 66 percent of the respondents indicated that there was competition from large contractors. A similar percentage indicated an inability to provide securities, raise insurance and obtain professional indemnity. 67.5 percent indicated inadequacy in technical and managerial skills in project implementation as a challenge. Other challenges included insufficient understanding of the contract and tender documentation (63.4 percent); inefficiency in programmes aimed at supporting BBEE SMMEs (64 percent); slow payment by government after project completion (57 percent); and inadequate relationship between emerging contractors and suppliers (57 percent). These findings were consistent with previous results by other researchers on challenges facing SMMEs. For example, extant researchers (UPS survey, 2005; Stuti, 2005; Ting, 2004; Wan, 2003; and Hall, 2002) have identified the following as barriers facing SMMEs in the business environment: lack of financing, limited adoption of technology; low productivity, lack of managerial

capabilities, competition from large enterprises, low quality products and a heavy regulatory burden.

As regards government interventions in the development of SMMEs in the construction industry, the *Accelerated and Shared Growth Initiative of (2006)* in South Africa outlined the need to eradicate poverty in the second economy through the development of small businesses as a strategy to address the challenges of poverty in the country. Thus, the SMME sector is regarded as the driving force in economic growth and job creation. According to the South African Department of Trade and Industry (DTI), small businesses employ almost half of formally employed persons, and contributes 42 percent of the country's gross domestic product (Levin, 1998:79; Sunter, 2000:3). As a result, a watershed shift has taken place since 1994 in the national policy environment surrounding the development of small enterprises in the country. This is evidenced through the current study's results on government interventions on the development of SMMEs in the construction industry that revealed that there are government subsidies available for BBEE enterprises.

Despite concerted government focus on the sector, the construction industry has been struggling with quality issues for many years, and the cost to the South African economy is dramatic. This cost could potentially be reduced significantly if the industry were to embrace the concept of quality assurance that has been used with great success by many other sectors of the economy. Quality assurance reduces variation, which improves quality. Control and variation reduction is accomplished through various methods such as quality assurance procedures, for example also systematising, standardising, or "proceduralising" of project activities; non-conformance tracking to monitor and track quality issues to ensure that customers are not confronted with defects corrective action and preventative action to correct flawed processes when detected via audits, non-conformance tracking to prevent defects from reoccurring, as well as management review, that is reviewing quality systems data (performance) or (quality metrics) to determine whether or not the quality system is working and if it is not, to take appropriate action to improve the system (Harrison, 2005).

The empirical results revealed that 63 per cent of the customers complained about the products of SMME contractors'. The survey

further revealed that, this conflict in service specifications versus service delivery resulted from the quality of employees hired by the SMME contractors. It was also revealed that there is inadequate commitment to service quality by contractors due to inadequate task standardisation. The majority of the contractors interviewed did not know what a quality manual was and did not have Quality Manuals to ensure standardisation. In general, most construction SMME contractors did not know what was expected in a quality programme. Some quality plans and/or quality manuals were used merely as window dressing and were not implemented at all, although some contractors were adhering to the quality assurance manuals.

According to Bailey(1996) 'quality' is the sum of: knowing the customers' needs;; fitness for purpose;; designing to meet them;; availability;; exceeding customer expectations;; safety;; faultless construction;; consistency;; degree of excellence;; value for money;; reliable equipment and materials;; good management co-ordination;; reliability; getting it right first time;; marketability;; and conformance to requirements. The aim of a quality assurance system is to get things right the first time and, by so doing, preventing errors. There is a growing realisation by some construction companies that a quality management system, when fully implemented, will not only raise their standards but also reduce their costs and hence increase their profits (Cornick, 1991).

Like other developing countries, the SMME construction industry in South Africa faces a major challenge in improving the quality of its output. The Quality Assurance (QA) framework, provided by the ISO 9000 standards, could be a driver and an agent for change of the current quality culture. Existing problems such as inconsistent technology, lack of commitment and cultural resistance present barriers to quality assurance implementation (Ashford, 1990).

1.8 Conclusion

The government interventions in the promotion of black SMMEs have assisted in creating employment and income redistribution within society. However, there is inadequate commitment to service quality by contractors; some contractors are not familiar with the role of quality manuals in task standardisation.

1.9 Recommendations

Based on the findings we recommend that SMME contractors and their employees should possess relevant technical skills. They must also be provided with and adhere to quality assurance manuals. It is further recommended that SMME contractors, who do not comply with quality assurance nor committed to the provision of the service tendered for, should be struck off of the service provider's data base. Further research is required to assess the impact of accidental service providers and quality assurance in the public sector construction industry.

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