

THE THEORY AND PRACTICE OF
PROCUREMENT SYSTEMS AND
AFFIRMATIVE PROCUREMENT POLICY

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**THE THEORY AND PRACTICE OF PROCUREMENT SYSTEMS AND
AFFIRMATIVE PROCUREMENT POLICY**

By

Simpiwe Nompunga

November 2005

**Prepared in partial fulfillment of the requirements of the degree of Master of Technology
(Construction Management), Department of Built Environment Cape Peninsula
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Abstract

THE THEORY AND PRACTICE OF PROCUREMENT SYSTEMS AND AFFIRMATIVE PROCUREMENT POLICY

A preliminary review of the existing public sector delivery towards sustainable employment and human resource development shows that the nature of contract awards in South Africa tends to favour more established and large enterprises. There was a need to transform the public sector procurement to respond to the changing needs of the new era in South Africa. The emergence of the affirmative procurement policy, has found a procurement environment, which does not seem to have the ability of taking the thrust of the affirmative procurement policy. Therefore there is a need to establish a system, which will provide a procurement regime, which will meet the objectives of the affirmative procurement policy.

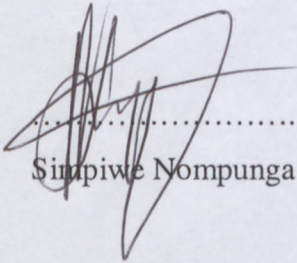
The purpose of this study is to look at the impact of the implementation of affirmative procurement policy in pre-tender stage on affirmable business enterprises within the state tender board procedures in South Africa. Implementation requires deliberate identification and removing of the structural and behavioural obstructions to change.

The evidence emanating from the data obtained in the preface of the dissertation indicates very strongly that there is gap between the procurement rules of the state tender board and the developmental policies of the public sector. These findings raised concerns about the process of implementation whether will it benefit and also serve the purpose to the stakeholders such as targeted groups and small medium and micro enterprises.

Declaration

I, *Simpiwe Nompunga* hereby declare that the work contained herein is entirely original and my own, except where indicated in the text itself, and this work has not been submitted in full or partial fulfilment of the academic requirements for other degree or qualification, at any other university.

Signed at *Cape Peninsula University of technology* on the *10 November 2005*.



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Simpiwe Nompunga

Table of contents

	Page no
Chapter 1 General Introduction	
1.1 Introduction	1
1.2 Problem statement	7
1.3 Hypotheses	7
1.4 Objectives	7
1.5 Methodology	8
1.6 Limitations	9
1.7 Structure of dissertation	9
Chapter 2 General procurement systems and affirmative procurement policy	
2.1 Introduction	10
2.2 Procurement systems	10
2.3 An affirmative procurement policy	17
2.4 The state tender board regulations	30
2.5 The ten-point plan	34
2.6 Policy implementation	39
2.7 Outcome	44
2.8 Summary	46
2.9 Conclusion	46
Chapter 3 Research Methodology	
3.1 Introduction	47
3.2 Data collection	49
3.3 Questionnaire design	56
3.4 Conclusion	59
Chapter 4 Triangulation and data validation	
4.1 Introduction	60
4.2 Questionnaire survey	60
4.3 Interview survey	62

4.4 Case study	63
Chapter 5 Research results, analysis and synthesis	
5.1 Introduction	66
5.2 Analysis of questionnaire data and cross tabulation	67
5.3 Case study analysis	80
5.4 Survey results and hypotheses testing	82
5.5 Conclusion	83
Chapter 6 Conclusions and recommendations	
6.1 Introduction	84
6.2 Conclusion	84
6.3 Recommendations	86
6.4 Further research	86
References	87
Appendix 1	92
Appendix 2	98

List of tables

No	Heading	Page no
1.5.1	Methodology	8
2.2.1	Population forecasts	20
2.2.2	Unemployment by population groups	21
2.2.3	Monthly income by province	22
5.1	Business ownership	68
5.2	PDI's in management	69
5.3	Tendering procedures	69
5.4	Problems in tendering	70
5.5	Reasons behind these problems	70
5.6	Work-load based on tender board tenders	71
5.7	Work load based on other institutions	72
5.8	Staff development	72
5.9	In-house training	72
5.10	Focus of in-house training	73
5.11	Aims of the tendering process	73
5.12	Impact of tendering process on SMME's	73
5.13	Human resource development	75
5.14	Competitiveness of state tender board	75
5.15	Transparency of state tender board	76
5.16	Redress of historical imbalances	76
5.17	Growth of PDI's businesses	77
5.18	Increase in employment opportunities	77
5.19	Empowerment of PDI's	78
5.20	Access to government jobs	78
5.21	Black economic empowerment awareness	79
5.22	Access to finance	79
5.23	Use of procurement systems	80

Chapter 1

General introduction

1.1 Introduction

The construction industry is recognized worldwide as one of the largest industries in any economy. Since it is such a large industry, contracts are signed every day for some building work, whether they are new buildings, refurbishment or maintenance. Some projects may be simple while others are complex. Some may involve just two organizations while others may involve hundreds of suppliers, subcontractors and consultants (Sawczuk, 1996)

In South Africa the construction industry – comprising both the building and the civil engineering sectors performs an indispensable role in the economy and increasingly the region as a whole. The construction industry provides the infrastructure, which is fundamental to the ongoing development of the country. Its activities affect everyone's life in one-way or the other. Right at the top of the list of the government's development priorities is the provision of infrastructure in underdeveloped areas, designed to bring relief to people living in these areas in the form of jobs, linkages to markets and assets that promote economic business development in an integrated and coherent fashion. Jobs, expanding business and the potential for increased investments for small, medium and emerging contractors and individuals are some of the benefits that will flow from an expanded and motivated industry (DPW White paper, 1999)

According to the White paper the construction industry, contributes about 45% to gross domestic fixed investment (GDFI) and current projections of future infrastructure requirements indicate that its contribution to GDFI could double in the next 10 years. A large growth percentage of infrastructure development is taking place within disadvantaged communities. Thus, the construction industry offers significant job and business opportunities to those formerly marginalized from economic activity.

Historically, contracts in the public sector have been structured in such a manner that the well-established contractor is favored, and, particularly in the building sector, the larger contractor. They have traditionally been required to have all the necessary resource and technical, managerial, administrative and commercial skills, and to finance all aspects of the project. In addition, they have been expected to have sufficient credibility to raise sureties and obtain credit, from suppliers. These requirements have enabled a formal building and construction industry to be established and to flourish. This industry in turn has developed training resources for its membership. The current challenge is therefore to restructure the manner in which contracts are conceived in the public sector to enable new entrants and historically disadvantaged groups to meaningfully participate and to achieve the goals of the RDP in this sector of the economy; and in so doing, increase the country's delivery capacity (State Tender Board, 1996).

In the new dispensation, the Government committed itself to the objectives of development, growth and the democratization of society through the mandate of the reconstruction and development programme (DPW Green Paper, 1997).

Whilst no one country's experiences in change are necessarily applicable to another, the common ground that exists between Malaysia and South Africa should not be overlooked. The Malaysian approach is not about the whole adoption of one set of policies and political philosophies, but about an adaptation of those policies to the conditions and circumstances on the ground (Emsley, 1996).

According to Emsley (1996), Malaysian affirmative action has been the world's most extensive affirmative action programme and one of its most successful. Twenty-five years ago the races in Malaysia were in very different relative socioeconomic positions. This resulted in mutual suspicion and sometimes hostility. Today the socio-economic circumstances of the indigenous race have been transformed.

Martins and Taylor (1996), examined the concept of culture in the context of the procurement policies of the re-construction and development programme (RDP) in South Africa. Their argument, that procurement and contractual practices should be

based on principles appropriate to indigenous cultural values, was rooted in an anthropological methodology.

Hibbery (1991) argued that the concept of procurement could raise awareness of the issues involved both in challenging generally accepted practice and in establishing strategies. It is therefore necessary to have a brief review of past procurement systems that were used in South Africa. The procurement process consists of the clients, professionals, suppliers, manufacturers, contractors and communities. The building procurement systems differ from one another in the way they are used and managed, which results in different levels of satisfaction from client to client. The client, on the other hand has his own objectives, which are time, cost and quality (Wilbur, 1970). This last statement is of particular significance for the client can dictate the peripheral benefits, which are expected from the given contract.

The traditional building procurement system, from which alternative systems have evolved, is based on a three-way relationship between the client, professional consultants and a contractor (Franks, 1984). This type eliminates the involvement of the client in the construction stage and the involvement of the contractor in the design stage. Traditional Construction Procurement Systems (TCPS) have been found on selection criteria, which have mainly considered only cost, time and quality for the particular project.

According to Masterman (1992), the vast majority of construction projects prior to the Second World War were implemented by conventional methods of procurement that had remained unchanged for over 150 years. This is based on a three-way relationship between the client, professional consultants and a contractor. It follows a strictly sequential path of four phases: preparation, design, preparing and obtaining tenders and construction. Since that time, however, the number of different available procurement systems has substantially increased, often as a result of developments in the USA or UK, and perhaps more significantly, the willingness of an increasing number of client organizations to sponsor and use these new methods.

Whilst there had always been some construction entrepreneurs who did not believe that the TCPS was in their own client's best interest and those offered alternative forms of construction delivery, of procurement options for customers. At first,

professions attempted to adapt the TCPS for 'fast-track' delivery but it would seem that this created other problems that resulted in customer dissatisfaction (Rwelamila, 1997). As the gap between customer needs and industry performance widened, other players identified business opportunities and the age of 'project management' dawned (Hindle & Rwelamila, 1998).

There was a period when the need for survival saw consultants and contractors competing with each other to find customers or to create demand through innovation and the adoption of the proven business practice, design and build became popular in South Africa as a means of procuring work. This was also a period of unprecedented criticism of the construction process, its players and practices. Much criticisms came from experienced customers, those who procure buildings frequently, described by Masterman (1992) as 'primary' customers.

Due to the new South African government's socio-economic objectives, there was a need to change what was normal to suit these objectives. Whenever there is a change in government, the probability of a project to be abandoned heavily depends on the personal relationship between the contractor and people in the new government. This sort of trend in the construction industry would continue unless an alternative procurement system that can survive in such a conditions is put in place (Gidado, 1996).

According to Watermeyer (1999), South Africa is one of the few countries in the world where procurement is a subject of a nation's constitution.

"When an organ of state in the national provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective".

In November 1995 the 10 point plan interim strategies were endorsed specifically for the state tendering authority as a way of replacing the previous government's procurement policies in order to allow trend to develop a new procurement policy and system that responds positively to the current needs of the South African society.

As elsewhere in the global context, The previous government's tender board policies and procedures favored the larger and better established enterprises and therefore, did not create an environment that allowed easy access for small, medium and micro enterprises (SMME's) into the mainstream procurement activities funded by the public sector (DPW, 1995).

Hence, the government, through the DPW, proposed interim strategies that can be implemented immediately within the ambit of existing legislation. The primary objective of these interim interventions were that they must impact positively on the participation of small, medium and micro enterprises, with emphasis on the disadvantaged and marginalized sectors, and with a focus on redressing of previous imbalances (DPW, 1995).

There are factors inherent in procurement, which need to be stated so as to add clarity to the argument out of which the problem statement emanates. It is necessary to highlight some of these factors.

Elementarily the affirmative procurement policy is a procurement policy, which uses procurement as an instrument of social policy in South Africa to affirm the changed environment, government's socio-economic objectives and the principles of the Reconstruction and Development Programme (Government Gazette, 1999). The affirmative procurement policy therefore sets the framework for the attainment of government's current socio-economic priorities.

According to Watermeyer (1999), the Affirmative Procurement Policy (APP) is aimed primarily at promoting affirmable business enterprises (ABE) via public sector procurement. Affirmative procurement policy is a tool, which requires both the understanding of, and the correct skill to use efficiently. Currently there is nothing in place to encourage and impel those contractors who are not ready to give impetus to this policy.

The State Tender Board (1996), states that an objective of the procurement reform process is to create enabling environment for small, medium and micro enterprises (SMME's) and to promote participation by emerging enterprises in public sector procurement activities. There was an urgent need to implement an interim strategy

for a preference mechanism, which promotes easy access for the SMME's and those persons previously disadvantaged. However there was no clear and scientific definition of small, medium and micro enterprises, or for that matter, what constitutes an established business to enable a preference policy to be applied to the SMME sector. Nevertheless, an interim preference system can be applied to target a specific group, which can be referred to as those "persons disadvantaged by unfair discrimination" (State Tender Board, 1996).

Targeted procurement is described as a system of procurement, which provides employment and business opportunities for marginalized individuals and communities, enables procurement to be used as an instrument of social policy in a fair, equitable, competitive, transparent and cost effective manner and permits social objectives to be quantified, measured, verified and audited (Watermeyer, 1999).

Watermeyer (1999) states that targeted procurement is simply the means by which socio-economic deliverables are realized when procurement is used as an instrument of social policy. Targeted procurement, through a variety of techniques, provides opportunities for participation by targeted enterprises, even to those who may not have the necessary resources, capacity or expertise to perform contracts in their own right.

Projects should, wherever possible, cater for as many levels of contract as the available resources within a community suggest to be appropriate, provided, always, that suitable candidates, with the necessary resources, exist within the community (Watermeyer, 1992).

The literature above yields little evidence of the whole purpose of affirmative procurement policy to ensure economic growth and that through an empowerment process will occur, but this process is hindered by a lack of understanding and unwillingness to accept and empower the construction industry and community to accomplish the policy vision. Because the focus is dealing with those who are marginalized, the focus in this research is looking at the role of the State Tender Board and the importance of the pre-tender stage in terms of the implementation of Affirmative Procurement Policy.

1.2 Problem statement

This assertion therefore raises the question of:

Why is there little evidence to suggest that affirmative procurement policy is being practised or that recent developments in procurement theory are understood?

1.3 Hypotheses

In order to adequately investigate the problem statement with the aim to solve it the following propositions will have to be tested:

The hypotheses to be tested in this thesis may be stated as follows:

- **State tender board procedures are outmoded and inflexible thus hindering effective affirmative procurement policy implementation**
- **The industry's social structure and traditional practice present a barrier to effective affirmative procurement policy implementation.**

1.4 Objectives

The objectives of this thesis is to:

- 1.4.1 Identify differences between the procurement rules of the state tender board and the developmental policies of the public sector.
- 1.4.2 Discover the impact of social structure and traditional practice on the implementation process.
- 1.4.3 Measure the effectiveness of government affirmative procurement policy in construction.
- 1.4.4 Identify the objectives of affirmative procurement policy and test the extent to which these objectives are met during the pre-tender phase.
- 1.4.5 Show how the implementation of affirmative procurement policy could be improved.

1.5 Methodology

To systematize the collection and compilation of relevant basic data for this research, the approach set out in Table 1. 5.1 below will be adopted.

Table 1:5:1 (Methodology)

Phase	Method	Aim
Literature Review	Available literature in books, reports policy documents and journals reviewed. Experts and professionals interviewed.	To establish the evolution of construction procurement systems and current practices.
Phase I	Method devised for analyzing factors affecting project procurement success in terms of meeting client requirements.	To collect data: <ul style="list-style-type: none"> a) Establish factors affecting project procurement success; b) Test established hypotheses for this research and provide insight on how to manage data.
Phase II	<ul style="list-style-type: none"> • Construction site visits using data collection techniques earlier developed. • Visit to public sector agencies. 	To collect data.
Phase III	Analysis of data collection and the establishment of possible scenarios in dealing with the problems identified.	To analyse data collection and propose solutions
Phase IV	Review Phase 1-3	Make recommendations.

The format above can be more concretely adopted as the scientific research method known as triangulation as both quantitative and qualitative methodology will be employed to obtain suitable data to test the hypotheses.

1.6 Limitations

This research is subjected to the following limitations:

- (i) The research will be confined to South Africa
- (ii) Selected structured interviews and case studies will be limited to the Western Cape area.
- (iii) Time available for this research is 18 months.

1.7 Proposed structure of the dissertation

Chapter 2 of this document will review the general procurement systems literature and the translation of the affirmative procurement policy into a procurement system. This chapter will constitute the literature review.

Chapter 3 will analyse the various methods available to attain the required information to ensure appropriate testing of the hypotheses.

Chapter 4 will be the research results, scenario and factors, which will affect data validity, will be highlighted and will be undertaken.

In chapter 5, an empirical analysis, synthesis and testing the hypothesis will be undertaken. Conclusion emanating from this study is presented.

Chapter 6 will be the conclusion and the recommendations.

Chapter 2

General procurement systems and affirmative procurement policy

2.1 Introduction

In chapter One, the historical development of the procurement systems was explored. The overview of the problem and its origin was discussed and the formulation of the hypothesis, which offered a scenario that will be tested, and the expected outcome of the investigation was stated.

The purpose of this chapter and its impacting variables therefore, is to present a literature review of theory and practice of typical procurement systems and of affirmative procurement policy. A review will be done on the general procurement systems literature and the translation of the affirmative procurement policy (APP) into a procurement system with a broader mandate base than normal. This chapter will further explore the policy, implementation and the outcomes of procurement and the targeted procurement.

2.2 Procurement systems

The procurement concept is defined in the Oxford English dictionary as;

“The act of obtaining by care or effort, acquiring or bringing about”.

The procurement process involves a series of happenings and activities, which require that decisions be made, which affect the actions of elements both within and without an organization.

Franks (1984), defines procurement systems in construction as:

“The amalgam of activities undertaken by a client to obtain a new building.”

According to Rwelamila (1997), a procurement system may be defined as the;

“Organizational structure, which is the collective action required to acquire the design, management, and installation inputs”.

Harvey and Ashworth (1993) have defined the scope of procurement as being that set of activities which commences with the establishment of client requirements and objectives and ends at project completion. They add the further important observation that procurement procedures are dynamic, evolving;

“...to meet the changing and challenging needs of society and the circumstances under which the industry will find itself working”.

The set of activities, which defines procurement, may be consistently similar. The content of these activities may, however, be unrecognizably different from one situation to another. The degree of difference is likely to be intensified where developmental goals are a major project objective.

Hibberd (1991) argued that no standard definitions and classification of procurement approaches have become generally acceptable, quite simply because there are no formal structures or agreement on the terminology. As such, he argues, either the term “procurement path” or “procurement approach” would be preferable.

Skitmore and Marsden (1988) have provided some discussion and a useful analytical framework for the evaluation of alternative procurement systems. The thinking embodied in their work is, however, underpinned by the contextually legitimate imperative of efficient, rapid product delivery. The identification of speed (of completion), certainty (of price and completion date), quality and aesthetic appeal, complexity (of the construction process), risk transfer, via the contracting process and price completion are all entirely acceptable criteria for the establishment of the utility of a particular procurement system relative to client requirements. The focus however, is on the product and the immediate issues which impact on the delivery of that product.

Important factors, which are relevant to the meaning of procurement, therefore must include firstly, the client whose needs and conditions are to be met, followed by quality, cost effectiveness and speed of delivery. There are varieties of construction contract procurement systems used in different countries around the world. The success in application of each depends upon the nature of the project and the environmental constraints that exist in the country in which it is applied (Gidado, 1996). Any construction procurement system will clearly have inherent strengths, weaknesses, and attributes that will render it ideal for a given set of circumstances.

However, a working definition of procurement was developed by CIB W92 (Procurement systems symposium, Yugoslavia) at its meeting in 1991, defining it as

“The framework within which construction is brought about, acquired or obtained” (CIB W92, 1992).

This definition served a useful purpose as it is both broad, encouraging a strategic interpretation, and neutral, being applicable not only to developed, market economies.

Liu and Fellows (1996) have explored the relationship between the procurement process and mechanisms and the mindset, values, beliefs and behaviors of the people involved. They were seeking to raise the awareness of culture amongst practitioners as a means of encouraging participation in the setting and achieving of project goals.

A systematic approach is then very important to the selection of an appropriate procurement system for each project in order to achieve a successful end product, and thus Hughes (1990), describes procurement policy formulation whereby flexible procurement systems can be designed which are appropriate to each project.

Abdel-Meguid and Davidson (1996) tested the hypothesis; that in construction, claims are a manifestation of inter-organizational disputes, and are the result of a poor choice of procurement strategy. A tentative correlation was identified between the traditional procurement strategy and delay claims, based on the variables ‘percentage time over-run’ and ‘percentage cost over-run’.

The evaluation of procurement systems, even in conventional circumstances, is not easy. Skitimore and Marsden (1988) have provided some discussion and a useful analytical framework for the evaluation of alternative procurement systems. The thinking embodied in that work is, however, underpinned by the contextually legitimate imperatives of efficient, rapid product delivery. The identification of speed, certainty, quality and aesthetic appeal, complexity, risk transfer via the contracting process and price competition are all entirely acceptable criteria for the establishment of the utility of a particular procurement system relative to client requirements. The focus, however, is on the product and the immediate issues which impact the delivery of that product.

Turner (1990) categorizes procurement systems into 3 groups:

“Firstly, design and build, which consist of develop of construct and turnkey or package deals. Secondly traditional, which has one single and two stage tendering and management which deals with design, and thirdly management.”

Procurement systems are thus grouped under the following categories, namely: traditional, management, and design and build.

i) Traditional or conventional system

According to Birrell (1990), in the traditional system, clients will engage the architect as their only principal agent advisor. The architect will be in-charge of the whole design, all contract documents and contracts for the actual construction. The architect will advise on the choice of the contracting process and be an inspector of the building during construction but will not manage the construction process. The construction process will be carried out by and be the responsibility of the general contractor.

The traditional building procurement system is based upon principles, which have been followed since the second half of the last century and has been accepted as standard practice since 1909 (Pain, 1998). It would therefore, seem logical to use the

traditional system as a basis for comparing different types of procurement systems because it is still widely used and understood.

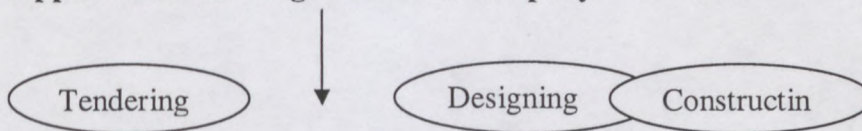
ii) Design and build system

Ibrahim (1992) describes design and build as a system in terms of which the responsibility of design and construction is handled by one organization. However, clients can still appoint their own design team or professional advisor to advise them on their requirements, prepare the brief and outline proposals for the project. These can be used by the design and build contractors as a basis for their tenders.

Figure 2.2.1 below shows the design and build approach

Figure 2.2.1

Appointment of design and build company



Source: Austen and Neale 1984

The overlapping of the design and construction phases, are the underlying principles behind design and build system. Hence this can be considered as one of the three generic types of organizational forms in contract strategy and each form of design and build can be uniquely defined by addressing the status of the other contract strategy variables, such as leadership, selection process and payment systems (Rowlinson, 1996).

iii) Management system

The management-oriented system is a system in which the client engages both the architect and the construction manager before design begins. The triumvirate of client, architect and construction manager carries out and manages the sub-phase of the procurement process as a core team with different but appropriate input and periods of participative leadership of that team. The architect will have the capabilities of a professional architect and will be responsible for all design work required for the building and will manage all work done by the design consultants. The construction

manager should bring considerable abilities in providing construction related advice in respect of costing scheduling and contractability to the building than on appropriate structuring of contracting sub-trade packages to match the current local construction marketplace as well as have capacity to manage the construction process as its design evolves. (Birrell, 1990).

According to Lenar (1991),

“the turnkey building procurement system is one where a project manager is appointed to take full responsibility for the management of planning, design and construction of a project. He then produces, a facility, which satisfies the client’s needs to a defined and agreed quality in a specified time and at a firm cost budget”.

The literature yields little evidence of comparative assessment of procurement systems, particularly relating to their advantages, disadvantages and extent of use. It is not known to what extent the different procurement systems are currently used in South Africa, nor is the relationship between choice of procurement systems and project success. There is now some degree of consistency in the classification of procurement systems, which appear in the publications. However, the choice of an appropriate procurement system is not always given to clients. Bowen *et al.* (1997) found that clients who had successfully chosen an appropriate procurement system for their needs were more likely to have upon good luck than good advice.

A further categorization is that which groups procurement systems according to common characteristics. These are separate and co-operative or integrated and management orientated. In separate and co-operative systems, design and construction are the responsibilities of separate organizations, and constitute two separate processes. In Integrated systems, design and construction are the responsibilities of one organization and are seen as one process. Finally, management orientated systems emphasize the integrated management of the design and construction of a project (Masterman, 1992).

The traditional building procurement system, from which alternative systems have evolved, is based on a three-way relationship between the client, professional consultants and contractor (Franks, 1984). The traditional building procurement system was devised for straightforward conventional projects. It restricts client involvement in the construction process, and builder involvement in the design process (Walker, 1995). The traditional building process is based upon principles, which have been followed since the second half of the last century and has been accepted as standard practice since 1909 (Pain, 1988). It would be therefore, seem logic to use the traditional system as a basis for comparing different types of procurement systems because it is still widely used and understood.

The difficulties to which Hibberd (1991) refers, of understanding the inherent virtues and characteristics of procurement paths, however defined, might arise due to what Ireland (1984) referred to as “virtually meaningless distinction between nominally different procurement methods” In other words, in all of the attempts to distinguish between procurement systems, it is forgotten that they are actually more similar than different.

Clients are arguably the most important participants in the construction industry as they are the participants who initiate the construction process, and provide the necessary finance. The client’s objectives are usually expressed in terms of time, cost, and quality (Walker, 1995). In order to satisfy client objectives, it is important that these requirements are met.

A successful project to the client is one, which is of a desired quality standard, is completed on schedule, is within budget, and achieves good return on the capital invested with a marketable building. The use of an appropriate procurement system for a project can result in a successful project to the client (Naoum and Mustapha, 1995).

The inappropriate choice of procurement system for individual project often result in the client’s objectives not being met (Masterman, 1992). An appropriate procurement system is necessary for the project manager (PM) in order to balance the project parameters and allocate risk appropriately, and hence is the foundation for

harmonious and symbiotic relationships on the progress towards project success. The incorrect choice and use of a procurement system has contributed to creating tensions between project stakeholders and this consequently contributed to poor project performance in the Southern Africa development community public building sector (Rwelamila *et al.*, 1999). Hill *et al.* (1996) propose that an appropriate procurement system is necessary for the project manager, in order to apply a multistage framework for attainment of sustainable construction.

Rwelamila (2000) states,

“Once an appropriate Construction Procurement System has been determined, the first stage of applying relevant principles of sustainable construction has been reached”.

The most popular procurement systems in South Africa are the traditional, management and design and build. The one, which is best known, is the traditional procurement system as it is used popularly for large contracts (Bowen *et al.*, 1997).

It is apparent that procurement in general terms can be referred as the action of acquisition as is obtained from the dictionary. However this disappears when such factors as client's needs, circumstances and product come to mind. There is a common conceptual stance, which apportions the organizational activities involved in the process of acquiring a product or building to the act of procurement. Imperators such as time, cost, quality and utility are common varying in content however from contract to contract.

2.3 An affirmative procurement policy

The ten-point plan on public sector procurement (MOF and MPW's, 1995) was developed to create a range of interim procurement strategies aimed at increasing the participation of previously disadvantaged enterprises in public sector procurement. This strategy was introduced in order to prevent the perpetuation of the inequitable award of state contracts after 1994, whilst the new policy was being developed. On

the basis on the proposals contained in the green paper, it was clear that the South African government has embraced the policy of utilizing public sector procurement as an instrument to realize socio-economic policy. It was also apparent that targeted procurement was intended to be a key instrument in addressing inequities in various sectors of the South African economy, and that a policy of affirmative procurement was included in the following legislation (MOF AND MPW, 1996). This therefore suggests that the ten-point plan was developed into the affirmative procurement policy specifications.

The development of the affirmative procurement policy specifications largely originated out of a need to define a cost effective procurement system which could incorporate socio economic objectives in accordance with the objective described by Watermeyer, *et al* (1998).

When defining this variable in global terms, authors like Raslan (1996) state that

“Ethnic group are different from one another. This difference can be seen in a positive light, as something that enriches the world and that allows people to maximize their contributions and to build on their comparative strengths”.

He further argues that the ethnic differences can also be seen in a negative light, as a result of past injustice and the withholding of development opportunities by the dominant ethnic group. The ethnic difference can also be seen in a negative light, as results a result of past injustice and the withholding of development opportunities by the dominant ethnic group.

The core justification for affirmative action, which may be described quite simply as

“...a set of policies to reduce disparities between groups” (Raslan, 1996).

This definition and justification of affirmative suits perfectly to the South African situation in its context although the South African situation is unique because it is enforced by the constitution of the country. Inter-group differences in South Africa are extremely large and it seems beyond questions that a major part of these differences is a heritage of apartheid.

Watermeyer, (1999), describes affirmative procurement policy as a procurement policy, which uses procurement as an instrument of social policy in South Africa to affirm the changed environment, government's socio-economic objectives and the principles of the reconstruction and development programme. The affirmative procurement policy is aimed primarily at promoting affirmable business enterprises (ABE) by means of public sector procurement (Watermeyer, 1999). The essential characteristics of an affirmative procurement policy are threefold:

- 1) Use is made of targeted procurement to achieve predetermined socio-economic objectives.
- 2) Specific target groups are identified and are systematically targeted in accordance with national policy objectives.
- 3) Consistent and uniform definitions, strategies and monitoring and reporting mechanisms are used to realize policy objectives.

When the government came to power in 1994, initiatives were put into place to remove discriminatory practices and policies in employment. An overview of the extent to which the situation is skewed needs to be presented in order to offer the rationale for the need to redress the social inequities.

The following is the population and the wealth spread, which prompted the implementation of affirmative procurement policy. This situation is derived from the fact that the black population also endures the highest rates of unemployment in South Africa as shown in table 2.2.1 and table 2.2.2

Table 2.2.1

Population forecast for 2000

RACE	1990	2000
BLACK	28 249	37 280
WHITE	5 471	5 480
COLOURED	3 320	3 802
ASIAN	1 012	1 177
TOTALS	38 052	47 739

Source: Development bank of South Africa, urban foundation, South African Housing Advisory Council, 1992

Evidently, the forecast for the black population is not only higher than those of the other groups, but almost doubled the 1990 figure and shows an increase of 76 percent. Combining this with other development indicators, especially at the provincial levels demonstrates the complexity of South Africa's procurement problems and how these problems interface with other wider socio-economic factors.

The new government inherited enormous inequalities in wealth and income based on race, gender, age, and disability. The wealthiest 2.4 million of South Africans account for over 40 per cent of all consumption, while the poorest 21 million account for under 10 per cent. Approximately one third of people are unavailable for work including those under age 15, students, scholars, housewives, retired people pensioners and disabled people unable to work and are excluded from official unemployment calculations.

Unemployment varied by race and gender. Among the economically active population, African women are most likely to be unemployed (47 per cent), followed by African males (29 per cent) and coloured women (28 percent).

Table 2.2.2

Unemployment by population group (ages 15-65)

(Millions)	African/ Black	Coloureds	Indian/ Asian	White	Unspecified /Others	Total
UNEMPLOYED						
MALE	1.811	.142	.029	.046	.013	2.041
FEMALE	2.395	.158	.021	.043	.014	2.631
TOTAL	4.206	.300	.500	.089	.027	5.122

Source: Population:- revised CSS estimates for 1996 / poverty :- 1994 CSS /

Unemployment: 1995 household survey WESGRO (1998)

Evidently from table 2.2.1, 82 percent of the black population is unemployed and the table further shows that this figure is even higher when disaggregated. Amongst the female population, the rate of unemployment is more than 91 percent while that for the male population is 88 percent. This has enormous implications for housing affordability and limits the scope for housing production and delivery, especially given the higher percentage of households headed by the female population.

It is a fact that the unfolding rapid population growth in South Africa occurs within the black population. Table 2.2.2 shows the population forecast for the black population from the 1990 base year for the year 2000.

Table 2.2.3

Monthly income by province age15-65

RANDS	GAUTENG	WESTERN CAPE	REMAINING 7 PROVINCES	SOUTH AFRICA
NONE	22 829	11 381	69 144	103 354
1-200	94 438	43 714	593 577	731 729
201-500	261 406	185 180	998 855	1 445 441
501-1000	446 066	256 474	934 786	1 637 326
1001-1500	475 290	251 312	810 424	1 537 026
1501-2500	374 680	202 360	613 468	1 190 508
2501-3500	228 649	116 941	365 423	711 013
3501-4500	159 607	77 800	230 751	468 158
4501-6000	144 152	68 377	186 137	398 666
6001-8000	89 132	38 435	96 544	224 111
8001-11000	66 008	26 628	60 385	153 021
11001-16000	43 590	15 832	31 604	91 026
16001-30000	27 274	9 488	16 950	53 712
30001+	9 773	3 950	7 498	21 221
UNSPECIFIED	121 348	66 301	159 884	347 533
TOTAL	2 564 243	1 374 174	5 175 430	9 113 847

Source: people of South Africa [population census (1996)]

The 1996 census revealed that Western Cape has more than 700 000 who live with income below R1 501 00. Out of this total, the majorities are black and coloured people.

2.3.1 The politico-economic demographics of South Africa

The census records an unemployment figure of 22 %for the whole population in South Africa. The average income of economically active previously disadvantaged individuals (PDI's) is less than one tenth of that of whites (Unicity Commision, 2001) This is a grate situation for any developing country and more so in South Africa given the economic and democratization process envisaged by the government. This situation therefore is the foundation or starting point, which implies the affirmative procurement policy.

Section 217(i) of the constitution provides the overall guiding principles for procurement within the boundaries of South Africa. The following is one of the three principles given in the constitution upon which procurement is based:

“When an organ of State in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective”(Constitution of South Africa, 1995).

This extract from the constitution establishes clearly the spirit in which the affirmative, or for that matter, any other procurement policy should be formulated.

The system, which is advocated, in the Green Paper is collectively described as affirmative procurement. An affirmative procurement policy is required to enact the vision for the procurement reform process and to facilitate the engagement of previously disadvantaged enterprises and communities.

Measures were also developed as an interim arrangement to facilitate and promote accessibility to the construction industry for all the people of the country (Department of Public Works, 1995).

According to Lechmiah, (1998), there is undoubtedly a need to transform the existing public sector procurement system in order that it responds to the South African society.

“The development of an Affirmative Procurement Policy represents a significant milestone in the transformation of public sector procurement in South Africa” (Ministry of Finance and Public works, 1997).

Based on the proposals set out in the White Paper and further, based on procurement reform in South Africa and targeted procurement, APP has been developed and is being implemented by the Department of Public Works. South Africa, with its legacy of unequal wealth distribution along race, gender and disability lines, has created an unequal playing field, very largely, through its discriminatory public spending policies. To achieve equality, the previously disadvantaged require programs that are

arranged to their specific advantage based on an analysis and remediation of those controls blocking access and enjoyment of equality (DPW White Paper, 1999).

According to the DPW White Paper, (1999) an affirmative procurement policy demonstrates the ability of the public sector to transform industry practice and to impact on the socio-economic environment. Procurement measures, as a lever of change, have yet to be used in the attainment of improved industry performance and the promotion of standards relating to health and safety, productivity and quality, training, employment practice and environmental protection. In general terms, affirmative procurement aims in the long term to promote development objectives with a focus on human resource development., to provide opportunities for skill transfer, capacity building and the acquiring of experience and to encourage commitment to human resource development and social responsibility programmes within organizations to specifically redress historical imbalances. Furthermore, APP aims to facilitate growth in terms of the efficiency and effectiveness of delivery as well as numbers and size of businesses owned and controlled by previously disadvantaged individuals and to ensure that emerging enterprises contribute to the tax base, engage workers who are affiliated to labour associations, adhere to safe regulations and reflect norms and standards in their business activities associated with those of developed countries.

2.3.2 Historical background

The Department of Trade and Industry (DTI) in its small business white paper (DTI, 1995) present a historic rational for the focus on black owned and controlled small enterprises. This is based, primarily on the denial of equal access to opportunities during the apartheid-era, which took the following form:

- Apartheid based education restricted the acquisition of technical and professional skills by black people.
- Apartheid confined black people to dormitory type residential areas and, in the cases of many African people, to homelands, which were not only poor, in terms of living standards and business opportunities, but also lacked a dynamic environment.

- Racially segregated residential areas created under the group areas act uprooted millions of black South Africans from their places of residence and business and virtually destroyed the fabric of small black business.
- Forced segregation of the deferent race group increased the distance between black residential and working areas, thereby increasing the cost and risk of conducting business.
- The restriction of ownership rights by blacks made it impossible for them to buy assets that could serve as collateral for loan financing. It also excluded blacks from the process of capital accumulation and growth through rising property and share values and from the possibility of acquiring fixed properties in high value added areas.

Having presented the historical context or the targeted focus on ABEs. It is important to note that a further justification for the accelerated development of previously disadvantaged enterprises in the construction sector is that it has brought to bear new value systems that are behavioral rather than rule orientated. These systems are likely to become inculcated into current industry culture and will bring about and promote long-term cultural changes and transformation within the sector. This will draw on the strengths of the previously disadvantaged that were not formally factored into construction industry culture in South Africa (Merrifield, 1997).

It is however necessary to present a global view of the attempt at affirmative procurement policy, as developed and implemented by the international community, in order to highlight the experiences which have impacted on these developments and to also ascertain the effectiveness of such policies by investigating the implementation tools, their effectiveness and the areas which have achieved success or failure in the process of implementation.

Ofori (1996), shows how the Malaysian government, by tying development objectives to its privatization programmes has been able to stimulate the growth of Malaysian national contractors, who have subsequently captured significant market share in neighboring countries. The 1970's saw a significant deregulation of the world

economy, recent trends in Malaysia, support the argument for greater state involvement in the construction industries of this country (Merrifield, 1997). The Malaysian experience provides us with an interesting example of how public sector procurement was utilized to promote the economic development of its indigenous Bumiputra community, thereby enabling its integration into the overall Malaysian economy and contributing to its greater competitiveness in the South East Asian market (Ministry of Finance, 1997). Whilst the recent collapse of the South East Asian economy indicates certain limitations in the manner in which countries like Malaysia have managed their economies, it is accepted that public procurement has contributed significantly to the economic integration of all sectors of the Malaysian population. This has contributed to Malaysia's competitiveness in the South Asian market, respect of design, build, finance and operate type projects in Southern and East Asia (Aziz and Ofori, 1996).

Authors such as Turin (1972), Aniekwu & Opala (1988), have noted that problems with the construction industry are manifest in many nations. These problems are arguably at their most extreme in the less developed and the developing nations of the world. This has led authors such as Ofori to suggest ways in which the construction industries in developing countries may be improved to minimize their problems (Ofori, 1984).

The publication of the Latham Report (1994), crystallized a number of thoughts within the Industry, regarding the contracting forms and procurement systems applied in the UK, seen as a number of dysfunctions and excessive costs in the British construction industry. As a result, some partnering trials, regarded as a possible remedy to these problems, were carried out (Barlow, 1996). The UK construction industry serves their clients who request the efficiency of construction projects and client's involvement in their projects. The UK construction industry already has a niche market, in which clients are able to choose the most adequate procurement system on their own.

Compared with the early French experiment of partnering in the 80s, UK firms adopted a more careful and pragmatic approach in the 90s when implementing project-based partnering in Design and Build contracts. As in France, subcontractors

were encouraged, during their tender phase, to submit new ideas at the design phase in order to improve the “buildability” of the project whilst the monitoring of the partnering process involve the same teamwork and social events.

Thus it is that even comparisons between developed economies are fraught with difficulties. Latham (1994), noted the difficulty of drawing conclusions from existing studies –

“ Some international comparison reflects differences of culture or of domestic legislative structure which can not easily be transplanted to the United Kingdom”.

And Davenport (1994) argued that the French do not recognize the British concept of procurement. These reviews demonstrate the need for a fundamental change in the construction process and practice to improve performance; meet emerging challenges and tap new opportunities. They also represent efforts to reorganize the industry to meet emerging global trends (Bow, 1999).

Rwelamila *et al.* (1999) stated,

“It is purported that the dominant Construction Procurement System in the Botswana Public Building Sector is the conventional or traditional construction procurement system. It follows a strictly sequential path of four phases: preparation, design, preparing and obtaining tenders and construction”.

In the South African context, procurement is extensively regulated by statutory legislation. The statutes, (State Tender Board Act No86 OF 1968), other government publications and journal articles illuminate this aspect. Prior to 1994, public sector procurement in South Africa was regulated in terms of the state tender board act of 1968 (Act 86 of 1968). The general conditions for procuring goods and services were contained in the state tender board’s general conditions and procedures (ST36). A review of the abovementioned legislation, including the regulations and amendments, indicates that the regulatory framework for public sector procurement in South Africa before 1994 was based on systems and procedures that are prevalent in developed

countries. The emphasis of the regulatory framework was primarily, on financial rules and regulations, as opposed to the broader economic implications of public sector procurement (Gounden, 2000).

The foregoing observations may be interpreted as indicating that a free and fair procurement system prevailed at the time. Gounden (2000) argues that the review of public sector procurement legislation in force in South Africa during that period was consistent with that prevalent elsewhere in the world.

2.3.3 Policy development

The Green paper (1997), states that the department of public works had been charged with responsibility for establishing, policies and guidelines for the construction industry to attain a range of objectives within the national public works programme, including job creation, emerging enterprises development and enabling environment policy. The department has also been tasked with developing mechanisms for monitoring the achievement of these objectives. This paper proposes certain procurement reforms to achieve both economic and social ideals. Institutional and economic reforms are set out to support good governance of procurement and the achievement of socio-economic objectives through procurement. The construction and procurement strategies were adopted to be used to address social and economic concerns and, depending upon how they are structured, to facilitate the economic empowerment of disadvantaged sectors of society (Gounden, 2000).

The out-come of the first strategy was the adoption of the ten-point plan (interim strategies) as government's policy; the outcome of the second, the releases of the green paper on public sector procurement reform with full cabinet endorsement. The department recognized that in order to implement the ten-point plan, a procurement model, which enables procurement to be effectively used as an instrument of policy, needed to be developed (Shezi, 1998). This therefore establishes how did the rational for affirmative procurement policy developed into an instrument of social redress.

An affirmative procurement policy, based on the proposals set out in the green paper on procurement reform in South Africa and targeted procurement,

“...is required to enact the vision for the Procurement Reform Process and to facilitate the engagement of previously disadvantaged enterprises and communities.... should include programmes aimed at the engagement of small, medium, and micro enterprises: an increase in the volume of work available to the poor, and income generation for the marginalized sectors of society”(Green Paper.1996)

According to Letchmiah (1998) the government has a compelling interest in ensuring that public funds are expended in such a way that all of the South African population benefit from such expenditure through job creation and commercial activity.

Development programs, which provide the necessary developmental support to emerging target group enterprises, should:

- Ensure that goods, services and works are delivered on time, within the budget and to the required quality standards.
- Transfer skills and competencies to the target groups.
- Maximize the contract expenditure retained by the target groups.

Governments around the world have come to recognize the vital role played by small, medium and micro enterprises (SMMEs) in helping achieve industrial and economic development objectives. SMMEs create jobs, generate wealth and provide satisfying careers for a growth number of entrepreneurs. To realize their full potential as an engine for growth, they need forms of support that are tailored to helping them meet the challenges of a changing and competitive economy (Ministry of Commerce and Industry, 1999).

The Green paper argues for clear parameters and targets to be set which seek to engage small, medium and micro enterprises, particularly those owned and operated by previously disadvantaged persons, increasing the volume of work available to the poor and the income generation of marginalized sectors of society. The development objective price mechanism (a weighting system) which is proposed ensures that price alone is not the single most important determinant for assessing contracts: it tips the scale in favour of the targeted group, and when used in conjunction with human

resource specification requires tenderers to outsource or engage targeted groups in the performance of their contracts in a cost effective and competitive manner.

There are no standard definitions of small, medium and micro enterprises; rather they vary from country to country. These variations depends largely on the size of the economy and the levels of development, The only common consideration are that annual turnover, and numbers of workers are generally used to categorize SMMEs. There is general agreement that a strict definition is not really important except when an eligibility threshold is required to process various incentive and other promotional and assistance schemes. In such cases, it is desirable to segment enterprises as micro, small and medium, if targeted policy intervention and assistance are to reach intended target groups (Ministry of Commerce and Industry, 1999).

Rwelamila, *et al.*, (2000), state;

“There has been no theoretical frame work in the South African construction industry on which to derive either an ideal or an optimum approach to procurement, only a reactive evolution of modus operandi – this is a fundamental stumbling block to various Government initiatives which are aiming at the industry as vehicle towards addressing imbalances through on-the-job- training and implementing the APP by creating an enabling environment for Small, Medium and Micro Enterprises and promoting participation by emerging enterprises in public procurement activities”.

2.4 The state tender board regulations

Clause 187 of the interim constitution, act 200 of 1994, reads as follows:

“187(1) The procurement of goods and services for any level of government shall be regulated by an Act of parliament and provincial laws, which shall make provision for the appointment of independent and impartial tender boards to deal with such procurement.

- (2) *The tendering system referred to in subsection shall be fair, public and competitive, and tender boards shall on request give reasons for their decisions to interested parties.*
- (3) *No organ of state and no member of any organ of state or any other person shall improperly interfere with the decisions and operations of the tender boards.*
- (4) *All decisions of any tender board shall be recorded.”*

It is clear that the intention of the legislator was that each province should have its own independent and impartial tender board. Breytenbach (1999), states that according to the interim constitution, the appointment of tender boards was compulsory. The specific clause of the interim constitution was also applicable only to any level of government, i.e. central, provincial and local sphere of government and excluded parastatals. The result of this clause in the interim constitution was the establishment of one (national) state tender board and nine provincial tender boards. This also resulted in a situation in which conditions, procedures, directives and regulations were laid down or made which differ from province to province and also differ from the conditions, procedures and regulations laid down under the state tender board act, 1968, on national level of government (Breytenbach, 1999).

The State Tender Board Act no 86, of 1968, (as amended), regulates procurement within certain sectors of the public sector. The act is administered by the directorate: tender contract administration, which falls under the procurement administration wing of the department of state expenditure. Within the public sector, it is found that the state departments and provincial administrations are obliged to follow state tender board procedures.

The different tender authorities are not to totally autonomous any more and can not make tendering conditions and prescribed tendering procedures as they wish, as all tendering conditions and procedures of all organs of state have to be in adherence with the envisaged national framework (Breytenbach, 1999).

The act specifies the use of open tendering on full specification, which promulgates the use of the traditional building procurement system. The conditions of contract are

stipulated in the “general conditions and procedures” document. Certain powers of the state tender board have been delegated to their regional offices and to government departments themselves. State Tender Board (1993) stipulates that the inclusion of any new tender or contract conditions is not delegated.

The approval of an innovative procurement method would therefore have to be authorized by the state tender board.

2.4.1 Western Cape tendering procedures

According to the Western Cape Tender Board (2000), contracts in the public sector have been structured in such a manner that well established contractors/ manufactures are favored. The large contractor have been traditionally been required to have all the necessary resources and technical, managerial, administrative and commercial skills, and to finance all aspects of the project. The current change is therefore to restructure the manner in which contracts are conceived in the public sector with the Western Cape Province to enable entrants and historically disadvantaged groups to meaningfully participate and to achieve the goals of the RDP in this sector of the economy and in so doing increase the province’s capacity to delivery. The present system of tender submission requires various forms and supporting information, which, in its present format is unnecessarily complicated for emerging business to complete satisfactorily.

Tenders, in support of an affirmative procurement policy, are awarded in terms of a development objective / price mechanism as described in the Green Paper on public sector procurement reform in South Africa (Ministry Of Finance and DPW, 1997). The reform proposals were based on four key principles which are the use of procurement to make public tendering accessible for new and emerging business and eliminate the injustices of the past; to attain and maintain good governance in procurement, including achievement of sound financial control; to eliminate and counter all forms of corruption; and to ensure good standing of tenderers in terms of service charges and tax obligations. In this changed environment, contracts are awarded on a point scoring system based on a development objective/price mechanism. Tenderers are awarded points, in the first instance, for the financial offer and, in the second instance, for the extent to which the offer exceeds the minimum

specified contract participation goal. Non-compliance with the minimum specified contract participation goal would render a tender submission non-responsive and lead to its automatic rejection. On average, the department of public works sets its contract participation goal for ABE participation at 15%. Tenderers are awarded up to 90 points for price and up to 10 point for the degree to which they offer-to exceed the minimum participation goal. In the development of these specifications, which were designed for inclusion with standard contract documentation, careful attention was paid to the formulation of tender evaluation criteria, which are clearly spelt out to enable tenderers to compete on an equitable basis. The Western Cape Tender Board (2000), states that the same procedure is used in this province.

2.4.2 Registration

At provincial level, all consulting service providers will be required to register with the council in order to be able to procure any form of work from council. The Chief Executive Officer (CEO) will place an advert in the local newspaper twice a year inviting consultant service providers to register with council. The onus is on the consulting service provider to obtain the required documentation/format to be filled in by the service provider and resubmit it in the stipulated time period. Incomplete information will count against the service provider in obtaining work (Amatole District Municipal, 2000).

In the case of contractor accreditation, the establishment and maintenance of a register which accredits and classifies onus on the public sector, in co-operation with the industry, to monitor performance and manage a data base. There is significant international precedent for this approach, which is merely an extension of the principle of a client 's selected tender lists (DPW, 1997).

According to the green paper (1997), the registration and categorization of contractors and enterprises will enable the following:

- The operation of a preference scheme or approved public-sector tender list which would reduce industry and public sector costs associated with the tender process,
- Performance monitoring to enable the promotion of improved contractors and to ensure compliance where standards are violated,

- The targeting of resources to emerging enterprises which are demonstrating progress and the withdrawal of support from those which have graduated or have failed to progress.

A construction enterprise register of accredited enterprises constitutes an essential tool for industry transformation, for monitoring performance of enabling environment programmes and for ensuring compliance with performance standards on public sector projects (DPW, 1997). The registration of all vendors by the Construction Industry Development Board (CIDB) would therefore mean that all construction related enterprises engaged in public sector work, or in receipt of state funding for training or support functions, be registered in a manner that will reflect their capacity and performance.

The long – term aim for the registration is to establish and maintain a register of all contractors and construction enterprises. In addition to the monitoring of performance it is in the long – term public interest that only enterprises registered with the CIDB should undertake certain categories of construction work, determined in consultation with industry stakeholders. Such registration will ensure the success of industry-wide development programmes and compliance with performance standards, including those concerned with labour regulation (Government Gazette, 1999).

The immediate objective is to establish a register which accredits enterprises for public-sector work, and which captures data on the performance of these enterprises. Since the public sector already makes use of select tender lists, and rosters and applies some performance criteria in the awarding of tenders, the proposal to develop more systematic registers for other construction-related enterprises is merely an extension of government 's existing practice (Government Gazette, 1999).

2.5 The 10 point plan

The ten-point plan interim strategies were proposed for the state tender board authority as a way of reviewing the previous government procurement policies in order to develop a new procurement policy and system that responds to the needs of

the South African society. The new government, through the DPW, proposed interim strategies that can be implemented immediately within the existing legislation. The objective of these interim interventions were that they must impact positively on the participation of small, medium and micro enterprises, with emphasis of the disadvantaged and marginalized sectors, and with a focus on employment creation (DPW, 1996). These objectives can be listed as follows:

- Create an enabling environment for SMMEs
- Achieve a uniform procurement system with standard tendering procedures and contract documentation for implementation at national and regional level.
- Promote participation by emerging enterprises in public procurement activity.
- Formulate revised procurement legislation and regulations.
- Review the roles and functions of tender boards.

The interim strategies are as follows:

1) Access to tendering information

This interim strategy was proposed because it was found that new and emerging enterprises experience serious problems in obtaining accurate and timely information about tendering information, especially those enterprises that do not have the organized information networks of established firms (DPW, 1995).

2) Tender advice centres (TACs)

This strategy was proposed because the public sector tendering system was perceived by many as a complicated and mysterious process. It was therefore, essential that assistance be provided in an effective and efficient manner to quickly increase SMME awareness and share in public sector procurement (DPW, 1995).

3) Review procurement procedure for contracts less than R7 500.00

This interim strategy was proposed because the system of obtaining telephonic or verbal price quotations seemed to exclude many of the emerging SMMEs as this system depends on the existing data-base of approved suppliers and decisions were left to the judgment of individuals in the user departments.

4) Waiver of security/sureties

This interim strategy was aimed at removing the requirement of a financial security / sureties which is regarded as probably the biggest barrier to entry for new business and particularly the emerging contractors in the building and civil engineering sectors (DPW, 1995).

5) Break-out procurement

The proposed process is to package tenders into suitably sized segments to target SMMES. This should include appropriate standards, specifications delivery dates and related contractual obligations that ensure that small businesses can be reasonably expected to cope and compete effectively.

6) Early payment cycles

This interim strategy stems from the fact that delayed payments to suppliers often aggravate the financial position of SMMES and further hampers their access to funds. Further, this problem results in suppliers losing their discounts because they are unable to pay their accounts timeously and in some instances have to absorb very high financial costs (DPW, 1995).

7) Preferences / targeting

This interim strategy is aimed at creating an enabling environment for SMMES and to promote participation by emerging enterprises in public sector procurement activities. Therefore, an interim strategy that will act as a preference mechanism needed to be introduced to target specific groups, which can be referred to as those "persons disadvantaged by unfair discrimination". This would imply that preference will be given to tenderers from businesses controlled by such persons or businesses or partnership will benefit from skills transfer and human resources development (DPW, 1995).

8) Simplification of tender submission requirements

This interim strategy was proposed because the system of tender submission requires forms of supporting information that is unnecessarily complicated for emerging businesses to complete satisfactorily. Further, logistical problems in

preparing and submitting tenders are often encountered by suppliers, especially in the emerging sector (DPW, 1995).

9) Appointment of a procurement ombudsperson

This strategy was proposed because of continuous accusations and complaints that the state tendering system is unfair, biased and inconsiderate and not transparent as it is controlled by procedures and regulations which are perceived to favour the larger and better established entrepreneurs (DPW, 1995).

Therefore, the proposed process is to appoint a person who will intervene and report on procurement related matters, in consultation with either the office of the ombudsman or the public protector. Further, to ensure independence, this person should operate independently with easy and unrestricted access to all information from state tender board and user departments. It is hoped therefore, that this person will provide a watchdog role to ensure that government adheres to its proposed new procurement policy.

10) Classification of building and civil engineering contracts

This strategy has been proposed because contracts in the public sector were structured in such a manner that it was almost impossible for SMMEs to enter this market and participate meaningfully. Therefore, the challenge is to restructure the manner in which contracts are conceived in the public sector to enable the new entrants and historically disadvantaged groups to meaningfully participate and to achieve the goals of the RDP in this sector of the economy and hence increases the country's capacity to deliver.

Tender board only approved it for implementation in August 1996. Although the cabinet adopted the ten point plan in November 1995, the state preference scheme for affirmable business enterprises (ABEs) was approved by the minister of finance, utilizing the regulatory framework contained in clause 25.1.4 of ST36 (State Tender Board, 1991). It is suggested that the delay in implementation of the ten point plan by the State Tender Board may, largely, be attributed to a lack of understanding by members of the board regarding the location of responsibility within state institutions for the formulation of public sector procurement policy (Gounden, 2000). This

highlights the posture of the hypothesis, which contends that lack of understanding hinder implementation.

It was envisaged in the ten point plan that black owned SMME's would be targeted on contracts below R2, 0 million. No definitions for black owned small business were available when the ten- point plan was conceived. As a result black equity was used as an interim measure.

2.5.1 Targeted procurement

Targeted procurement, an innovative form of procurement which has recently been developed in South Africa by the procurement task team to provide employment and business opportunities for marginalized individuals and communities, enables social objectives to be linked to procurement in a fair, transparent, equitable, competitive and cost effective manner. Targeted procurement also permits these social objectives to be quantified, measured, verified and audited (Watermeyer, 1999).

Targeted procurement is simply the means by which socio-economic deliverables are realized when procurement is used as an instrument of social policy. Targeted procurement, through a variety of techniques, provides opportunities for participation by targeted enterprises, even to those who may not have the necessary resources, capacity or expertise to perform contracts in their own right.

Socio-economic deliverables are achieved through a combination of:

- the classification of contracts which enables them to be:
 - packaged (unbundled) in a manner which facilitates the engagement of a range of targeted groups; or
 - structured in a manner which permits targeted groups to participate.
- the use of resource specifications, i.e. performance specification which defines the socio-economic deliverables, set out the method by which deliverables can be attained, audited and verified and the means by which progress towards the attainment of the deliverables can be quantified at discrete intervals.
- The use of development objective/ price mechanisms, i.e. a point scoring system in terms of which tenders are awarded, in the first instance, points for the financial offers, and in the second instance, points for their offers to

exceed specified, minimum socio-economic objectives, or in the case of very low value contracts, for their current enterprise statuses.

It is evident from the foregoing that research in the area of procurement systems has moved from hard, technical systems approach into a much more soft systems based on a set of paradigms which appear to have strong potential for explaining the difference in performance across projects. The concept of culture has become an important issue in analyzing procurement systems (Rowlinson and Root, 1997).

The literature above yields that an integration of procurement systems will accommodate the differences in various projects.

References by Gounden (2000), to the use of targeted procurement infer implementation of the affirmative procurement policy.

2.6 Policy implementation

The responsibility for turning policy into practice rests firmly with nation departments and provincial administrations. The procurement of the Malmesbury prison in the Western Cape, in 1995 prompted the department of public works to initiate the development of targeted procurement specifications that encapsulate the objective highlighted in the ten-point plan (Letchemiah, 1997). This type of contract was expected to attract only large established contractors without meaningful participation of small emerging enterprises. The procurement task team developed the APP1 resource specification in January 1996 to secure the participation of ABEs. The APP1 specification required contractors to secure ABE participation in one of more of the following ways:

- sub-contracting portions of the contract to ABEs
- obtaining supplies and materials from ABEs
- obtain manufactured articles from ABE manufactures
- engaging ABE professional, technical or managerial service providers
- entering into joint venture arrangements with one or more ABEs

(Shezi, 1999).

The department of public works has been involved in the conceptualization, development and implementation of an affirmative procurement policy over the last six years. Some milestones in this regard are as follows:

- November 1995 – cabinet adopts the procurement forum’s ten-point plan.
- January 1996 – the APP1 specification for the targeting of affirmable business enterprises is developed for the Malmesbury prison complex.
- June 1996 – award of the Malmesbury prison contract.
- August 1996 – state tender board permits the department to apply the ten-point plan on all its contracts on a pilot basis.
- April 1997 – Green Paper of public sector procurement reform in South Africa is released.
- October 1997 – PWD MINMEC meeting accepts the business plan for the delivery of targeted procurement and undertakes to implement the affirmative procurement policy at provincial level.
- November 1997 – minister of public works addresses Inter-governmental forum and premiers on initiatives for the delivery of targeted procurement and secures their support.
- January 1998 – launch of the emerging contractor development programme on a pilot basis in Cape Town.
- May 1998 – launch of the strategic projects initiatives.

According to the ten-point plan,

“The current Tender Board polices tend to favor the larger and better-established entrepreneurs and therefore does not create an environment that allows easy access for small, medium and micro enterprises into the mainstream procurement activities funded by the public sector”.

While the general review of procurement policy will produce directives and procedures to accommodate the RDP objectives, there is an urgent need for interim procurement strategies that can be implemented immediately within the ambit of exiting legislation. These interim interventions must impact positively on the participation of small, medium and micro enterprises, with emphasis on the

disadvantaged and marginalized sectors, and with a focus on employment creation. Although all contracts are presently subject to the existing tendering regulations, it is intended that these interim proposals should guide the relevant authorities in implementing suitable procurement strategies within the ambit of the present system.

It is emphasized in the ten-point plan that the state tender board should actively engage and influence the provincial authorities to adopt similar interim strategies in order to ensure uniformity in implementation of procurement policies.

There are interim guidelines prepared to serve until such time as the procurement reform process has run its course and the white paper has been accepted by parliament.

Point number four on these guidelines states an implementation of affirmative procurement policy through the interim strategies. The implementation strategy has four sub-headings as follows:

1. Contract class and types
2. Contractor development
3. Framework for the initiation, design, planning and implementation of projects
4. Framework for the engagement of communities.

The preferential policy framework act (2000), (PPPFA), gives effect to section 217 of the constitution by providing a framework for the implementation of procurement policy in South Africa. The framework for procurement is:

- 1) An organ of state must determine its preferential procurement policy and implement it within the following framework:
 - a) A preference point system must be followed;
 - b) (i) for contracts with a Rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 90 points for price;
 - (ii) for contracts with a Rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goal as contemplated in paragraph (d)

provided that the lowest acceptable tender scores 80 points for price;

- c) any other acceptable tenders which are higher in price must score fewer points, on a pro rata basis, calculated on their tender prices in relation to the lowest acceptable tender, in accordance with a prescribed formula;
 - d) the specific goals may include –
 - (i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability;
 - (ii) implementing the programmes of the reconstruction and development programme as published in government gazette No 16085 of 1994;
 - e) any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender;
 - f) the contract must be awarded to the tenderer who scores the highest points, unless objective criteria in addition to those contemplated in paragraph (d) and (e) justify the award to another tenderer; and
 - g) any contract awarded on account of false information, furnished by the tenderer in order to secure preference in terms of this Act, may be cancelled at the sole discretion of the organ of state without prejudice to any other remedies the organ of state may have.
- 2) Any goals contemplated in subsection 1(e) must be measurable, quantifiable and monitored for compliance.

For this framework to work in the implementation process, there is a need for South Africa's public sector client and the practitioners to understand the concept.

According to the Green Paper (1997), there is the need to develop and implement a procurement system which enables organs of State to operationalise in a targeted,

transparent, visible and measurable manner, when engaging in economic activity with the private sector, without compromising principles such as fairness, competition, cost efficiency and inclusion. Such a system should comprise the following components:

- Access to tendering information and the simplification of tender documentation.
- Breakout procurement (unbundling)
- Awarding of tenders in terms of a development objective / price mechanism.
- An affirmative, small, medium, and micro enterprise participation programme.
- Promoting employment-intensive practices.
- Affirm marginalized sectors of society in construction projects.

The Green paper proposes that affirmative procurement forms an integral part of the national procurement framework and that all organs of state engaged in procurement be compelled to implement the affirmative procurement policy. The procurement compliance office is responsible for monitoring, evaluation, auditing and registration as well as the overall co-ordination of programmes flowing out of an affirmative procurement policy.

However, in spite of the range of work submitted to the commission there is still plenty of research required into identifying international best practice and appropriate implementation procedure.

The use of procurement as an instrument of policy is not without controversy. Questions have been raised regarding its legitimacy and effectiveness. Certainly, many attempts to promote an industry or sector within an industry have failed, particularly where policies have been championed in an uncompetitive environment and isolated from national and international competition. Inefficiencies are also frequently encountered where policies seek to establish viable infant industries. All too often, beneficial effects of policies, which are promoted through procurement, are doubtful or minimal. For example, the European commission estimated that regional preference in the United Kingdom applied to only 0.02% of government procurement

and that there was no evidence that it had made a significant contribution in attaining its objectives. Even where benefits can be achieved, these must be weighed against the cost of doing so through procurement, either in terms of a price premium or a compromise of other matters such as time or quality. Enforcement costs must also be considered (Arrowsmith, 1995).

2.7 Outcome

The outcome of the first strategy was the adoption of the ten-point plan (interim strategies) as government's policy; the outcome of the second, the release of the Green paper on public sector procurement reform with full cabinet endorsement. The department recognized that in order to implement the ten-point plan, a procurement model, which enables procurement to be effectively used as an instrument of policy needed to be developed. A new form of procurement, commonly referred to as targeted procurement, was developed by the procurement task team and implemented by the department between the release of the ten-point plan and the Green paper (Shezi, 1999).

Whilst the ten-point plan captured broad principles and goals, it did not provide well-defined mechanisms whereby such a policy could be operationalised. The affirmative procurement policy specifications therefore represented a logical progression for the development of ten-point plan, and aimed to provide definable, quantifiable, measurable, verifiable and auditable procurement mechanisms, initially aimed at addressing the needs of the construction sector. These specifications were subsequently broadened to ensure applicability to a wide range of goods and services to be procured by the public sector (Watermeyer *et al*, 1999).

Each of the targeted procurement resource specifications has a measurable component, which enables the amount of participation by the target group to be quantified and monitored. In each case, the value of the contribution is computed, in terms of a prescribed formula, as a monetary value and is expressed as a percentage of the total value of the goods and services provided, of works performed, in terms of the contract (Watermeyer, 1999).

There has been limited research on, and a lack of data regarding most programmes to demonstrate the effectiveness of the use of procurement as an instrument of social policy. Frequently, deliverables are ill defined or vague and requirements are not quantifiable or measurable. As a result, the auditing and verification of the effectiveness of the use of procurement as a means to an end is simply not possible (Watermeyer *et al*, 1999).

2.8 Summary

The development of an affirmative procurement policy represents a significant milestone in the transformation of public sector procurement in South Africa.

It would seem that the public works department has become the champion of the reconstruction and development programme (RDP) and affirmative issues. They have coordinated the work of several departments and have partially implemented affirmative procurement policy effectively in construction procedures and practices. It is therefore clear that procurement is ineffective in meeting its goals and objectives.

The literature above suggests that, it therefore important that the implementation of the affirmative procurement policy be done in the early stage of the project life cycle to achieve the effective APP implementation.

2.9 Conclusion

Given the literature presented in this chapter there is a significance evidence of the amount of attention, which has been paid to the tender board procedures and their nature and the outcomes emanating from them. In terms of these hypothetical variables it is apparent that the available literature is in harmony with the statements of hypotheses.

Chapter 3

Research methodology

3.1 Introduction

In chapter 2 an overview of existing literature was presented. It was established that many different viewpoints to procurement exist and were developed for the express purpose of dealing with different contract types. What was of great significance was the fact that procurement could in fact be used for the alleviation of social inequities as is the case in the situation of the Republic of South Africa. In most cases where procurement was used as a social redressing tool as was the case in for example Malaysia significant success was achieved (Emsley, 1996). What the hypothesis of this research focuses on is the problem of implementation. This area is the aspect in which gaps may to be found in the redressing process and it is therefore appropriate that investigation into the appropriateness of the research tools or methodology has to be undertaken to adequately obtain the data, which would fill these gaps. In this chapter the development of the methods formulated to collect data are described and the suitable method to be used to test the hypotheses is identified and selected.

Methodology is provided with a strong base from Dubin's (1969), argument who stated that the aim of research must be assumed to further one's understanding of the relationship, events and processes. Leedy (1993) argued that the research methodology must help to explain what nature of the data is, and what method is used to process them to arrive at conclusions.

Authors like Tipple and Willis (1991) used a combination of research techniques to gather information in their research for housing the poor in the developing world.

Research depends on the techniques of searching and may be defined as the process of acquiring knowledge and understanding. It takes place in the context of the researcher's interests, expertise and experiences. There are various research methodologies, which are employed, and these will be looked at analytically with the view of selecting the most suitable tool for purposes of this work.

Quantitative and qualitative research

According to Fellows (1997), the other primary classification system concerns the research methods adopted – broadly, quantitative and qualitative research.

Quantitative approaches adopt ‘scientific method’ in which initial study of theory and literature yields precise aims and objectives with hypotheses to be tested – conjecture and refutation may be adopted, as discussed by Popper (1989).

According to Fellows (1997), in qualitative research, an exploration of the subject is undertaken without prior formulations – the object is to gain understanding and collect information and data such that theories will emerge. Thus, qualitative research is a precursor to quantitative research.

Qualitative approaches seek to gain insights and to understand people perceptions of the world – whether as individuals or groups. In qualitative research, the benefits, understanding, opinions, views etc. of people are investigated – the data gathered may be unstructured, at least in their raw form, but will tend to be detailed, and hence rich in content and scope.

Qualitative research methods can be used to study how people become conscious of, give meaning to, and relate to, the built environment. There is a great potential for applied social research using a qualitative open-ended research strategy, which can be geared towards answering policy questions or making future design decisions. In procurement, participant observation is useful in the evaluation of recently implemented policies for the purpose of upgrading.

Qualitative and quantitative approaches to a policy can be complementary and can be mutually applied, with the analysis under each technique drawing upon the application of other technique. This is to ensure the maximisation of the policy’s financial and economic viability, and its overall success. Tipple (1991), in his methods of analysis, case studies and policy for housing the poor in the developing world argues that intuitive thought involves the rapid and unconscious processing of data. It combines the availability of data from different sources, quantitative and

qualitative, by 'averaging' it in some way. Thus the analyst may think about the mid-point of the range, and combine two or more factors by weighting them equally in an additive way. In this research therefore the same approach that was used by Tipple would be adopted.

3.2 Data collection

Information and data must be combined with some technique of analysis to investigate and make sense of any environment, project or policy.

Research can be classified in very broad terms as either applied research which is directed towards the solution of an immediate, specific, practical problem, or basic research which is concerned with the formulation of a theory or a contribution to the existing body of knowledge. This study would then fall under applied research.

According to Wallace (1987), the literature of group interaction and decision-making analysis methodologies is dominated by four main methodologies, namely, direct observation (experimental and naturalistic), research questionnaires, research interviews, and documentary evidence. A combination of structured interviews, case studies and postal questionnaires is most appropriate and relevant method to attain the required data for this particular research because more detailed information is to be obtained within a limited period of time from the people with the knowledge of the state tender board and its procedures only. The interviews would be conducted face-to-face with the respondents (State Tender Board personnel).

This combination or triangulation of research methods will yield more complete and richer information than can be obtained by using each method singly.

Triangulation

Triangulation aspires to include the use of more than one source of data collection in a single research project. The aim of triangulation research is to increase the reliability of the results, and to compensate for the limitations of each method (Fellows, 1997).

Tipple (1991), states that a combination of methods may be used: interviewing, observations of behaviour, plotting life histories with accompanying changes in the environment and recording of recording of physical data. These have to be guided by an orienting theory derived from a conceptual framework in which the physical environment plays a salient role. Certain pitfalls should be avoided: for example, standardised research instruments which seek to eliminate researcher's bias, and endless recording of behavioural usage of space for statistical verification. The elimination of researcher's bias in recording data also eliminates the skill and empathy that a researcher brings in recording and interpreting a situation. Surveys and formal interviews may not yield consistent and true answers on the part of the respondents. The triangulation of research methods will yield more complete and richer information than can be obtained by using each method singly. A similar reasoning can be followed for correcting informant bias by comparing one informant's account with that of another.

3.2.1 Method of data collection

Surveys gathers data from a relatively large number of cases at a particular time, and is not concerned with the characteristics of individual cases, but with such overall statistics from which abstraction and conclusions can be drawn.

Surveys are a common approach used by most researchers. The purpose of using surveys is to see beyond what has been researched, for example, in the literature review. Good (1963), state that it is difficult for one to determine that the descriptive survey method is superior or inferior approach of testing a hypothesis. The method is best for certain purposes since a particular technique provides answers to significant questions.

Survey techniques such as questionnaires, interviews, and case studies are highly labour intensive on the part of the respondents and particularly on the part of the researcher. The consequence seen is the low response rate, which is commonly notable for postal questionnaires (Fellows and Liu, 1997).

All techniques have their strengths and weaknesses. It is the researcher's responsibility to assess these, and to choose the most suitable method for the analysis to be undertaken, bearing in mind the resource constraints. The purpose of adopting a technique is to improve understanding of the policy in question.

I. Questionnaire as an instrument

Rwelamila (1996), states that research is a tool where a questionnaire is subjected to various kinds of limitations from several sources (social desirability, anatomy, socio-economic and educational differentials).

According to Leedy (1993), a questionnaire is an instrument used for observing data beyond the physical reach of the observer. Generally a questionnaire is regarded as a printed list of questions distributed through the mail or filled out by the respondent under the supervision of the investigator or the interviewer (Good, 1963).

Leedy (1993), states that questionnaires are developed in either of two forms, open or closed.

Open questions are designed to enable the respondent to answer in full and reply in whatever form, with whatever content and to whatever the respondent wishes. The type of question can be easily asked, but may be difficult to answer and fully completed, thus making it difficult to analyse.

Closed questions are different from opened questions because of a set number of predetermined responses, designed by the researchers. The rigidity of available responses may contain the responses artificially, therefore response opportunity for others is provided wherever possible. However, care must be taken that the responses

to open questions are biased by response alternatives provided by related and preceding closed questions.

The design of questionnaires conceptualises the response to the questions, which involves four stages as being:

- a) Comprehension: is the stage number one in which the respondent interprets the meaning.
- b) Retrieval: is when the respondent searches the long-term memory for relevant information
- c) Judgement: is when the respondent evaluates the information retrieved and separates the items of information to form a response.
- d) Response: is when the respondent weights factors such as sensitivity of question, accuracy of answers and desirability.

The questions must be straightforward and concerned with one issue only and the request for answers given in an unthreatening form to the researcher. Sub hypothesis 1 deals with the state tender board procedures and their inflexibility. These issues are unpacked in the questionnaire of this research.

It is imperative that questionnaires be piloted and completed by a sample of respondents. The respondents in this case would be contractors and therefore close-ended questions will be used in order to make the questionnaire simple for respondents and easy to analyse for the Author.

Advantages of questionnaire

According to Leader (1989), questionnaires are an economical and popular method of collecting data from the respondents. This method is used when the respondents are dispersed over a vast area, and it avoids bias and allows the respondent the time to consult with other members to answer questions.

Open questions have the advantage of capturing ideas not thought by the researcher and of allowing respondents to express their views when they may have had no previous opportunity to do so.

Disadvantages of questionnaire

Questionnaires usually have low response rate it is therefore important to increase the response rate by sending follow up reminder cards. With acceptable level of response required, the questionnaires are shortened, which reduces the depth and quality of information. The probing of replies is not possible and researcher is not certain if the respondents will answer the questions (Leedy, 1989).

The responses to open questions are obviously more difficult to analyse, as the analysis cannot be planned in advance.

An identical questionnaire will be sent to fifty deferent construction firms' executives and their respective employees dealing directly with construction projects.

II. Interviews as an instrument

In much social science research, the researched person is aware of being studied and reacts to stimuli, often questions presented by the researcher. The most frequently used method of gathering information is by directly asking the respondents to express their views; therefore the emphasis of this chapter is placed on interviews and questionnaires.

An interview involves a one-on-one verbal interaction between the researcher/ interviewer and the respondent either face to face or by telephone.

The telephone interview is based on oral questions and responses, with little interaction between the interviewer and the respondent. It can be done within a few hours of an occurrence that the researcher deems suitable. It does not need a researcher to travel to conduct an interview.

Interviews have to be planned in advance. When conducting an interview the researcher must not direct the person's answer through the way he/she phrases the question. During the interview process the following aspects have to be taken into consideration:

- I) listening attentively
- II) order
- III) topography
- IV) strategies for validating data
- V) images of the researcher

An interview is comprised of three components known as the interviewer, the interview schedule, and the respondent. Each of these represents a wide range of variables.

According to Fellows (1997), there are three types of interviews, namely:

- a) structured
- b) semi-structured
- c) unstructured

There are major differences within types of interviews, which lie in the constraints on the respondent and the interviewer. In structured interviews, the interviewer enquires and records the questions. The main purpose of questions is to obtain more details and pursue new and interesting ideas or aspects. The interviewer has to be a neutral medium through which questions are asked.

In unstructured interviews, the interviewer introduces the topic and records the replies from the respondent. A structured interview may begin by simply asking the respondent to talk about an idea he/she has in mind. Even though it is time consuming and difficult, the approach helps the interviewers to discover factors that influence daily life and investigate ways in which the external world is integrated with the respondent's internal world.

Semi-structured interviews are the combination of both the structured and unstructured interviews. It varies quite widely from questionnaire-type to topic areas.

The author would employ interviews to cover issues that the questionnaire did not cover. Some questions from the questionnaire would be used and adjusted to suite the interview with the state tender board personnel. A series of project specification surveys, involving perusing through project document (in progress and completed projects) and relating the established requirements with the actual work done.

Advantages of interviews

Types of respondents can be ascertained and more questions can be asked. The respondent's interest can be stimulated and the interview can be done at a suitable time for the respondent. Interviews build up relationships between the interviewer and the respondent. Questions of a complex schedule can be explained.

Disadvantages of interviews

Interviews are costly and they cover a fewer number of respondents.

III. Case studies as an instrument

Case studies are powerful and difficult to organise. Case studies are a popular form of inquiry particularly appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in some depth within a limited time scale.

It is much more of a story about or a description of an event or state. The evidence is collected systematically, the relationship between variables is studied and the study is methodically planned as in all research. It is concerned principally with the interaction of factors and events. Observations and interviews are most frequently used methods in case study and there is no method excluded.

Methods of collecting information are selected which are appropriate for the task. Although case studies constitute a distinct style of research, they are a means of obtaining data rather than a particular methodology approach.

In this particular research case study will be employed to unpack Industry issues, which present a barrier to effective APP implementation as stated in sub-hypothesis 2 and therefore would help the Author to achieve the objective 1.4.2 which requires the measurement of the effectiveness of APP in construction. The case study will involve the interviews of the site personnel, and observations.

Advantages of Case Studies

Case studies allow the researcher to concentrate on a specific instance or situation and identify the various interactive processes at work. Case studies encourage the testing of hypotheses rather than expressing supported opinions and they employ a variety of data collection techniques.

Disadvantages of Case Studies

Case studies may degenerate into the mere accumulation of information on a particular case study. It is difficult to cross check information and there is always the danger of distortion. The collection of data may limit the number of studies although, it yields deep, narrow results are produced.

3.3 Questionnaire design

During questionnaire design the limitations of a questionnaire were considered, and respondents were not required to state their names. Questionnaires were designed to reflect appropriate levels of the respondent's understanding.

Section I

Section I, which intends to establish the geographical location, staff establishment and type of firm, that is, what type of service is offered. There are different job opportunities in different types of markets. This difference may be in the form of the type available and the size of jobs. There is also a difference in the level of experience required to operate in certain types of markets. For example, for larger jobs, the level of experience to manage the resources available is surly to be of high standard as opposed to smaller jobs.

Furthermore, knowing the type of firm and thus the type of service or products the firm is willing and able to offer, will hopefully give rise to important information regarding:

- work opportunities,
- the type of jobs that the firm may be looking for and capable of managing,
- the level of experience within the firm,
- the financial profile of the firm.

The period of existence of the firm will help to establish how long the firm has been available to carry out or even to tender for government jobs. It will also determine whether the firm had enough time to establish its reputation to a position whereby it can undertake any available government projects. The period of existence of the firm will help to establish how long the firm has been in the industry.

Section 2

This section, which aims to gather general information about the firm. The importance of this section is to establish the use of Affirmative Procurement Policy objectives and the structure of the firm.

Moreover this section intends to gather information regarding any entrepreneurship skills of the owner(s) prior to starting this business. This will assist in the establishing the management capacity and the financial capacity of the owner(s) required to run the business successfully.

This section is also important in that the level of experience or training may influence the success or the failure of the firm in obtaining jobs, in this case government jobs

Section 3

In this section, the information about the work history of the firm is gathered. This help to establish whether the firm depends solely on government jobs or not. This section also requires establishing information that may cause the firm not to be doing any governmental jobs if so.

It is important to establish whether the owner(s) understands the tendering process and the state tender board procedures.

This section seeks to also establish whether the entrepreneurs are aware of the targeted procurement system. Further, it requires respondents to give out their opinion on this programme in relation to its ability to address their problems. This section is expected to be more informative regarding how targeted group feel about the current situation in the construction industry as far as they are concerned.

Section 4

In this section the information about the industry is gathered. This section seeks to establish whether the owner(s) is aware of the changes and their impact to the industry. If not whether he/she is interested and willing to learn amore about the changes and the opportunities available. It is important to establish the ease of entry into the industry for emerging entrepreneurs. A number of issues may be the cause of willingness to enter the industry, namely:

- a) work opportunities
- b) high profits
- c) ease of entry
- d) flexibility of the market
- e) the only option available to the entrepreneur
- f) potential entrepreneur had the necessary requirements.

3.4 Conclusion

In this chapter various ways of obtaining information have been discussed together with the advantages and disadvantages of each instrument in particular those to be used in this study. It is realised that this study is to be conducted methodically and systematically to get the required data from which results capable of strong support for test of the hypothesis or conclusions can be drawn.

Data is expected to enable the author to gain insights to current problems regarding the state tender board and the people that are supposed to be serving. That is to gather information that will assist the author to successfully analyse the success and failures of the firm.

Chapter 4

Triangulation and data validation

4.1 Introduction

In chapter three, the different methods of collecting data to prove or disprove the hypothesis were discussed. The no response to the questionnaire is a significant factor that seriously limits the generalization of findings from any study using the questionnaire as a primary data-gathering instrument. In order to address this problem, a triangulation approach was selected to test this research's hypothesis. This chapter examines the impact of triangulation, which comprises of the questionnaire survey, which was supported by unstructured interview and the case study.

This chapter will further explore the formulation of question and the comparison of the results derived from the surveys with the literature review. This therefore means, the research results, scenario and factors, which affect data validity, will be highlighted and undertaken. An assessment will be made as a result of the questionnaires and interviews as to how affirmative procurement policy could be properly implemented to eliminate the shortcomings at the pre-tender stage.

The fundamental purpose of this charter therefore is to attain the required data through the usage of relevant research methodology.

4.2 Questionnaire survey

The self-administered questionnaires were the most appropriate survey instrument for this study. Questions pertinent to this research were developed, critically reviewed, justified against the hypotheses and refined to address the issues as specifically as possible. Those questions with a limited set of possible choices were identified, and the corresponding sets of answers were developed.

- a) Open-ended questions: were included, either to cater for the wide range of expected or possible responses or to allow the respondents the freedom to fully explain their choice of responses. These questions were included because the author did not anticipate probable replies from respondents on certain issues. Secondly, these questions were included in order to provide insights, side comments, and explanations in order to develop a “feel” for the research findings on various aspects of the study. By measuring the opinions of upper management of construction firms, these issues would not be problematic to the respondents. Rather than requesting information about their organizations, their own personal opinions would be measured regarding the performance approach to the tendering procedure.

- b) Multiple-choice questions: respondents were given an opportunity to choose an answer from among a list provided in the question proper or following the question. Lists of answers were established from various sources on state tender board tendering procedures. It was considered necessary that these questions could reduce the researchers bias in formulating questions, and the cost and time associated with data processing.

Respondents were not required to state their names, and they were assured that the results of the survey were going to be used in aggregated form. Questions were designed to reflect appropriate levels of the respondent’s understanding. The questionnaire length of 7 pages excluding the cover page was in line with the recommendation that the optimal length for a questionnaire is 10 – 12 pages (Dillman, 1978). According to Dillman, there is no difference in response rates for various questionnaire lengths below 12 pages. Shorter questionnaires will be returned or completed more often than longer ones (Belson 1981). The questionnaire is reproduced in Appendix- 1.

i) Sample size

The choice of participating organizations was based on the Western Cape. random sample of participants was chosen and not based on any established statistical technique, other than to select registered organizations with the department of public works (DPW) help desk (Sakhasonke) in such a manner as to ensure a

reasonable spectrum of opinion and minimize 'firm-size' bias. The list from DPW's help desk included the general contractors, specialists' contractors and labour only contractors. Respondents were contacted telephonically and an explanation about the research and its objectives was given and then they were asked whether would they be willing to fill in the questionnaire.

Some of the contractors from the DPW list were no longer contactable and others were no longer in existence. The limited time frame inhibited the author from engaging himself in a survey of a bigger sample. The first one hundred that was contactable and willing to participate were issued with a questionnaire.

The hand delivery approach was used and reason being to save time and maximize the response rate. To improve the response rate during the administration process, respondents were again contacted telephonically. Each organization on the list from DPW had an equal opportunity to be selected, out of the one hundred that was issued only forty-five was received. Therefore a response rate of 45 % was achieved.

4.3 Interview survey

According to Bouchard (1969) and Green and Taber (1980), the primary disadvantage of interviews is the frequently cited effect on participants of being observed in a laboratory setting rather than their own natural environment. Although the ideal situation would have been to observe public client representative during their normal ('natural') daily activities of tenders' administration, such an arrangement raised concerns about the confidentiality of the process.

Semi-structured interviews were conducted separately between the author and officials of organizations representing the government face to face. The questions for the interviews were drawn mainly from the questionnaire survey so as to close gaps and create overlaps between interviews and postal questionnaire.

The information obtained is of such a nature that either supports previously drawn inferences, or else provides information from which further inferences may be drawn. More specifically, the objectives of the interview survey were to:

- obtain detailed information relating to the procedures employed by the state tender board officials.
- provide a frame of reference against which to conduct the analysis of the documents which constitute the case study and,
- assist in the possible identification of characteristics of ideal APP implementation framework.

As in the case of the questionnaire survey, the data emanating from the interviews were intended to elicit general trends and patterns of opinion only, thereby rendering inappropriate the need for statistical rigour and numerical precision.

i) Sample size

Given the objective of the interview survey and the resources required to conduct such a survey over a large sample size, it was decided to interview a sample of five personnel from government departments participating in the tendering process drawn from Western Cape area. The limited geographical spread of this organization is not seen as detracting from the value of the information obtained given the fact that Cape Town is now a unicity and that for DPW tendering procedures are the same throughout the Western Cape region.

Wherever possible the interviewees were in managerial positions in their organizations.

4.4 Case study

In addition to the questionnaire and interview survey, a case study was conducted to examine the effectiveness of APP implementation. Furthermore, the case study would

serve to illustrate points made in the interview survey, as well as providing a means of assessing current practice.

The merits of this method, according to IPR-UPE (1992) are that, it does not rely on the respondent's willingness to provide the desired data. Secondly, the potential bias caused by the interviewer and the interviewing process is reduced or eliminated. Thirdly, certain types of data can be collected only by observation. Those behavior patterns of which respondent is not aware can be recorded only by observation.

A contract documentation observation type of case study approach was adopted in this study. Observations were based on the hypothesis that:

“State Tender Board procedures are outmoded and inflexible thus hindering effective Affirmative Procurement Policy implementation”

The objectives of conducting the cases study were to

- Identify differences between the procurement rules of the state tender board and the developmental policies of the public sector.
- Identify the objectives of affirmative procurement policy and test the extent to which these objectives are met during the pre-tender phase.

Notes to tenders and supplementary information were observed on this basis of this statement, and documented defects were identified and compared with respect to traditional practices and APP framework. This evaluation criteria stem from the theory and practice analysis presented in chapter 2. This analysis is restricted to written or documented information about the project under case study.

The documents under examination were obtained from Cape Town city council department of quantity surveying. This department has considerable experience in policy implementation since it has been operational even in the old regime.

The participating organization was requested to select a project, which in its opinion constitutes an example of the 'best' performance procurement contract. Given the objectives of the case study, the notion that case study represent an example of 'best'

performance, and the fact that the purpose of conducting the case study is for illustrative purpose only, it is considered permissible to limit the case study to one project.

4.4.1 Case study procedure

The case study began with an informal discussion with the project quantity surveyor who was invited to provide an overview of the project, together with the specific problems it posed from an APP implementation point of view. The particular project file under consideration was examined, including the supplementary information given by the contractor for this project. Subsequently, an informal discussion was held with the project quantity surveyor with whom points of clarification or queries were raised and answered.

4.4.2 Case study documents

Notes to tenderers, supplementary information and the quantity surveyor's report specimen forms of documentation were chosen for examination because of their relevance to outline the procedures against the framework. Given the emphasis of this research, particular attention was paid to the adjudication and selection criteria.

Each of these documents is analyzed to determine whether or not, in their present form, they achieve their objective and prerequisites and whether or not they conform to the general rules for enhancing the effectiveness of APP implementation.

Chapter 5

Research results, analysis and synthesis

5.1 Introduction

In the preliminary chapter the rationale for sample selection and data accumulation was given. The fundamental purpose of this chapter is to analyze the data through the usage of relevant statistical package. The statistical package for the social science (SPSS) was used to analyze data in this study. This is a versatile programme widely used for data analysis in the social science. Some of the advantage is that, in addition to frequency analysis, cross tabulation and statistical analysis are possible (Earl, *et al.*, 1995)

In an attempt to obtain more representative response, individual firms were contacted telephonically and requested to complete and collected the completed questionnaires. It was possible to identify those organizations yet to return the questionnaire, as each questionnaire had been allocated a specific number prior to issuing. The number of respondents who replied by the due date was fair. A response of 45% was achieved and only 4% could not be used due to fact that the majority of the questions were not answered. Given the nature of the study, hardships to administer the questionnaire and budgetary constraints, the 41% therefore, is assumably validates the sample. The seven-page questionnaire, which took about ten minutes to complete, was in line with the recommendation that the optimal length for a questionnaire is ten to twelve pages (Dillman, 1978).

In presenting the analysis of the questionnaire data, percentage figures have been rounded to the nearest percent. Associated with each question listed in the questionnaire, there exists a number of variables. Within each variable, a number of options are provided against which respondents were requested to insert information. In certain cases the respondents did not complete every question and thus the response rate for any particular variable may not be equivalent to the response rate for the questionnaire. The analysis determined the response rate for each individual variable and the percentage recorded in the survey is representative of the number of respondents for each variable. In certain cases the response for a particular variable

can be misleading owing to the comparatively low response rates. If this occurs it is explicitly stated.

The variable 'other' was included in some of the questions to permit respondents the opportunity of inserting their own choices if those provided were considered inappropriate. However, this variable has been excluded (unless otherwise stated) from the analysis for two reasons. Firstly, the numerical response to this variable was invariably very low (compared to the percentage breakdown among the options within the variable) and, secondly, in instances where 'other' was used, respondents usually decline to provide clarification as to their choice of 'other'. Hence, no meaningful assessment of the variable 'other' could be made in the majority of instances.

5.2 Analysis of questionnaire data and cross tabulation

Cross tabulation of the questionnaire was done in this chapter as to verify that respondents understood the questions and to check the relevance of their answers and areas of greater significance and relationship. The procedure adopted throughout the analysis of the questionnaires is one of presenting the descriptive statistics, followed by discussion on the inferences to be drawn from those statistics.

The following key titles are clarified by means of explanatory definitions.

- Value labels = the variables being analyzed;
- Value = coded values attached to each variable;
- Frequency = the number of times a variable occurs in the sampling;
- Percentage = refers to frequency as a variable as a percentage of total sample size;
- Valid percent = takes account of missing observations from the total sample size;

In the first chapter the hypotheses were formulated as:

- *State Tender Board procedures are outmoded and inflexible thus hindering effective Affirmative Procurement Policy implementation*

- *The industry's social structure and traditional practice present a barrier to effective Affirmative Procurement Policy implementation.*

Table 5.1

Business ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disadvantaged	30	90.9	90.9	90.9
	Advantaged	11	9.1	9.1	100.0
	Total	41	100.0	100.0	

In this table 5.1, the question seeks to establish the structure of the respondent's businesses and establishing the nature of the respondents and their activities. The response to this question was cross checked with the question on table 5.2 which asked the respondents to indicate number of previously disadvantaged individuals (PDI's) in management positions by using a percentage value. It was discovered that out of the 90% businesses that ranked themselves as owned by the previously disadvantaged individuals only 55% PDI's are in management positions. The definition for the affirmable business enterprise (ABE) states, that at least two thirds must be owned by one or more previously disadvantaged individuals and management of the business's daily operations be under the control of one or more previously disadvantaged individuals who effectively own it. When the 55% is compared to the definition of ABE, which is the targeted beneficiary of the affirmative procurement policy, as presented in chapter two of this study, there is a big gap between the definition and the response.

Table 5.2

Previously disadvantaged individuals in management positions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1%	4	9.1	10.0	10.0
	5%	4	9.1	10.0	20.0
	10%	4	9.1	10.0	30.0
	15%	4	9.1	10.0	40.0
	100%	22	54.5	60.0	100.0
	Total	40	90.9	100.0	
Missing	9999.00	1	9.1		
Total		41	100.0		

It was decided to include questions relating to demographic and organizational issues to permit the examination of possible relationship between the organizational nature of the respondent and the response provided. According to the respondents to this question, 55% of the firms sampled have 100% previously disadvantaged persons employed in management positions. The remaining 45% represents the previously disadvantaged persons between 1% and 15%.

Table 5.3

Understanding of tendering procedures

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	30	72.7	72.7	72.7
	No	11	27.3	27.3	100.0
	Total	41	100.0	100.0	

When respondents were asked about their understanding of the tendering procedures in the above table 5.3, 73% indicated that they understand. This was crosschecked with the question in table 5.4 where the question of problems encountered in tendering was asked and the response of 73% show that the 73% that indicated that they understand in table 5.3, responses indicate same 73% still encounters problems in tendering.

Table 5.4

Problems in the tendering process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	29	72.7	80.0	80.0
	No	8	18.2	20.0	100.0
	Total	40	90.9	100.0	
Missing	9999.00	4	9.1		
Total		41	100.0		

It can be derived from the above table that a majority (73%) of firms encounter problems in the tendering process. This indicates that the greater percentage of respondents encounter problems in the tendering process.

Table 5.5

Reason behind problems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Above average	1	9.1	20.0	20.0
	Highest	4	56.4	80.0	100.0
	Total	5	65.5	100.0	
Missing	9999.00	6	34.5		
Total		11	100.0		

From table 5.5 it can be deduced that 66% of the respondents were in agreement that complicatedness of documents is usually the contributing factor to the lack of clarity and understanding of the tendering procedures. For instance the tender documents are formal and require a sound understanding of contract law and the language used is more difficult to comprehend. Because the focus is dealing with those who are marginalized, this research is looking at the role of the state tender board and the importance of the pre-tender stage in terms of the implementation of affirmative procurement policy.

The pre-tender phase of the project culminates in the receipt and adjudication of tenders. This response is therefore in line with what was discussed in the literature review on the second chapter. According to Watermeyer (1999), the affirmative

procurement policy (APP) is aimed primarily at promoting affirmable business enterprises (ABE) via public sector procurement. Affirmative procurement policy is a tool, which requires both the understanding of, and the correct skill to use efficiently. Currently there is nothing in place to encourage and impel those contractors who are not ready to give impetus to this policy. The present system of tender submission requires various forms and supporting information, which, in its present format is unnecessarily complicated for emerging business to complete satisfactorily.

Table 5.6

Workload based on state tender board tenders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0%	2	18.2	20.0	20.0
	10%	1	9.1	10.0	30.0
	15%	1	9.1	10.0	40.0
	60%	1	9.1	10.0	50.0
	70%	1	9.1	10.0	60.0
	80%	3	27.3	30.0	90.0
	90%	1	9.1	10.0	100.0
	Total	10	90.9	100.0	
Missing	9999.00	1	9.1		
Total		11	100.0		

27% of respondents reported that 80% of their workload is awarded to them based on their tender submitted to state tender board. This relatively low percentage therefore raises a concern about the discussion in chapter 2, that government has come to recognize the vital role played by small, medium and micro enterprises (SMMEs) in helping to achieve industrial and economic development objectives. It seems to be in line with a view that due to the new South African government's socio-economic objectives, there was a need to change the norm, to suit these objectives. Whenever there is a change in government, the probability of a project to be abandoned heavily depends on the personal relationship between the contractor and people in the new government. This sort of trend in the construction industry would continue unless an alternative procurement system that can survive in such conditions is put in place (Gidado, 1996).

Table 5.7

Workload based on any other institutions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	7	63.6	70.0	70.0
	No	3	27.3	30.0	100.0
	Total	10	90.9	100.0	
Missing	9999.00	1	9.1		
Total		11	100.0		

The response in table 5.7 shows that 63% of the firms depend on the government institutions for their workload, while 27% depend on private institutions. When this was crosschecked with the question in table 5.6, it appears that out of the 63% of firms, which depend on the government institutions for their workload, only 27% could manage to secure 80% of their workload per annum.

Table 5.8

Staff development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	100.0	100.0	100.0

Table 5.8 shows that all respondents agreed that their firms support the continuing education of their workers, although table 5.9 below shows that only 82% of these firms have in-house training programmes within the organization.

Table 5.9

In-house training programmes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	81.8	81.8	81.8
	No	7	18.2	18.2	100.0
	Total	41	100.0	100.0	

At least 82% of respondents claim that their firms have in-house training programmes. This was crosschecked with the question on table 5.10, which asked

about each organizational focus about these in-house programmes. It has been found that although these companies claim to have the in-house training programmes, most of these organizations depend to outsourced companies.

Table 5.10

Focus of in-house training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Average	1	9.1	10.0	10.0
	Above average	1	9.1	10.0	20.0
	Highest	8	72.7	80.0	100.0
	Total	10	90.9	100.0	
Missing	9999.00	1	9.1		
Total		11	100.0		

This table shows that 73% of respondents focus on skills development out of the total that claimed to support the continuing education of their workers.

Table 5.11

Aims of the tendering process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	1	9.1	16.7	16.7
	Below average	1	9.1	16.7	33.3
	Average	2	18.2	33.3	66.7
	Highest	2	18.2	33.3	100.0
	Total	6	54.5	100.0	
Missing	9999.00	5	45.5		
Total		11	100.0		

In chapter 2 of this study, the objectives of APP are listed as follows:

- Create an enabling environment for SMMEs
- Achieve a uniform procurement system with standard tendering procedures and contract documentation for implementation at national and regional level.
- Promote participation by emerging enterprises in public procurement activity.
- Formulate revised procurement legislation and regulations.
- Review the roles and functions of tender boards.

From the response in this table 5.11 it is clear that there is little evidence to suggest that the tendering process is creating an enabling environment for SMMEs. The 18% response demonstrate that there is more that is still needed to be done in terms of APP implementation in the tendering process. In the literature review in chapter two the state tender board (1996), states that an objective of the procurement reform process is to create an enabling environment for small, medium and micro enterprises (SMME's) and to promote participation by emerging enterprises in public sector procurement activities, hence Lechmiah, (1998), suggested that there is undoubtedly a need to transform the existing public sector procurement system in order that it responds to the South African society. For instance the general lack of feedback to unsuccessful tenderers has made it difficult for emerging business to learn what is required to win tenders and to improve on their mistakes.

Table 5.12

Impact of the tendering process on SMME's

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	low	3	9.1	12.5	12.5
	average	3	9.1	12.5	25.0
	above average	8	18.2	25.0	50.0
	highest	14	36.4	50.0	100.0
	Total	8	72.7	100.0	
Missing	9999.00	11	27.3		
Total		41	100.0		

36% respondents agreed that the tendering process is outmoded and inflexible. This question was designed to measure the opinions of the respondents towards the performance of the state tender board procedures and test the sub hypothesis one which reads:

State Tender Board procedures are outmoded and inflexible thus hindering effective Affirmative Procurement Policy implementation

This was crosschecked with the question in table 5.13 where respondents were asked about changes they have observed in the construction industry since the new era. This was a closed question and allowed the respondents to make a choice between the prescriptive observations.

Table 5.13

Human resource development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	27.3	27.3	27.3
	No	30	72.7	72.7	100.0
	Total	41	100.0	100.0	

73% of respondents agreed that they have not observed any changes with regard to human resource development since the present government came to power. This could be attributed to the fact that state tender board procedures are inflexible as posed in sub hypothesis one that a lot of training needed to be done.

Table5.14

Competitiveness of the state tendering process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	3	27.3	50.0	50.0
	below average	1	9.1	16.7	66.7
	above average	1	9.1	16.7	83.3
	highest	1	9.1	16.7	100.0
	Total	6	54.5	100.0	
Missing	9999.00	5	45.5		
Total		11	100.0		

In response to this question 27% of the respondents indicated the state tendering process is unfair and biased. This response therefore contradicts the description made in chapter one that the targeted procurement is described as a system of procurement, which provides employment and business opportunities for marginalized individuals and communities, enables procurement to be used as an instrument of social policy in a fair, equitable, competitive, transparent and cost effective manner and permits social objectives to be quantified, measured, verified and audited (Watermeyer, 1999).

Table 5.15

Transparency of the State tendering process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	8	18.2	18.0	18.0
	Below average	8	18.2	18.0	36.0
	Above average	25	64	64.0	100.0
	Total	41	100	100.0	
Missing	0.00	0	0		
Total		41	100.0		

Evidently from this table the 64% response feel that the state tendering process is not transparent which proves the statement made in chapter 2 to be true that the general lack of feedback to unsuccessful tenderers has made it difficult for emerging business to learn what is required to win tenders and to improve on their mistakes.

Table 5.16

Redress of historical imbalances

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	18	45.5	45.5	45.5
	No	23	54.5	54.5	100.0
	Total	41	100.0	100.0	

55% of respondents feel that they have not observed any changes in the industry with regard to redress of historical imbalances since the present government came to power. This was crosschecked with the question in table 5.12 where respondents were asked whether the tendering procedures were outmoded and inflexible. It is evident that whilst the state tender boards' procedures continue to be outmoded and inflexible there would be no clear indication of changes with regard to redress of historical imbalances.

Table 5.17

Growth of PDI's businesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	23	54.5	54.5	54.5
no	18	45.5	45.5	100.0
Total	41	100.0	100.0	

According to the respondents to this question, 55% agreed that there was a growth in number and size of businesses owned by previously disadvantaged individuals since the present government came to power.

Table 5.18

Increase in employment opportunities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	37	90.9	90.9	90.9
no	4	9.1	9.1	100.0
Total	41	100.0	100.0	

91% of respondents were in agreement that they have observed changes in construction industry with regard to increase in employment opportunities. From the above table it can be concluded that the majority of the respondents have observed the increase in employment opportunities since the present government came to power, in contrast to the situation prevailing in this table there is still an increase in outcry about unemployment, which therefore raise the question of sustainability of these created jobs.

This was crosschecked with the question in table 5.19 where the question of observation of any changes in the construction industry with regard to employment of communities and individuals from previously disadvantaged sectors of society was asked.

Table 5.19

Empowerment of PDI's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	22	54.5	54.5	54.5
no	19	45.5	45.5	100.0
Total	41	100.0	100.0	

55% of respondents agreed that they have observed the employment of communities and individuals from previously disadvantaged sectors. This percentage is in line with the 91% that agreed to have observed increase in employment opportunities although it is relatively low when comparing the percentage difference between the two. In other words out of the 91% that agreed only 55% have observed the empowerment of PDI's.

Table 5.20

Access to government jobs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	33	81.8	81.8	81.8
no	8	18.2	18.2	100.0
Total	41	100.0	100.0	

In response to this question 82% respondents agreed that it is now easier to get government jobs than before the new era. The nature of these results was expected as this is in line with the objectives of the targeted procurement as discussed in chapter two.

Table 5.21

Black economic empowerment awareness

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	average	4	9.1	12.5	12.5
	above average	18	45.5	62.5	75.0
	highest	8	18.2	25.0	100.0
	Total	30	72.7	100.0	
Missing	9999.00	11	27.3		
Total		41	100.0		

This was a follow up close-ended question to the previous question where respondents were asked to choose a statement, that the response to which is either yes or no. 46% of respondents were above average in saying the black economic empowerment is the reason.

Table 5.22

Access to finance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low	30	72.7	72.7	72.7
	Below average	7	18.2	18.2	90.9
	Above average	4	9.1	9.1	100.0
	Total	41	100.0	100.0	

Table 5.22 reveals that 73% of respondents feel that it is still difficult to get finance for financial institutions. The results exhibited in this table 5.22 may be attributed to political situation inherited in the old South African apartheid regime and demographics of wealth distribution as presented in literature review in chapter two of this study.

Table 2.23

Use of procurement systems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	23	54.5	54.5	54.5
	No	18	45.5	45.5	100.0
	Total	41	100.0	100.0	

This question was asked to establish the usage of contract procurement methods as well as opinions as to future trends in this regard. 55% agreed to have used the project management and the traditional methods; this therefore validates the statement made in chapter one where Hibbery (1991) stated that the most commonly used systems were the conventional and the project management.

5.3 Case study analysis

Notes to tenderers, supplementary information and the quantity surveyor's report specimen forms of documentation were chosen for examination because of their relevance to outline the procedures against the framework. Given the emphasis of this research, particular attention was paid to the adjudication and selection criteria.

Each of these documents is analyzed to determine whether or not, in their present form, they achieved their objective and prerequisites and whether or not they conform to the general rules for enhancing the effectiveness of APP implementation.

Project: Cape Town hostels redevelopment project: phase 3
 Contract No: Q01/45
 Description: New buildings and upgrading of existing buildings in Langa, Nyanga and Gugulethu
 Client: City of Cape Town
 Tender Date: November 2001
 Closing Date: 10 December 2001
 Architects: Architects Associated Consulting Architects
 Project Manager: Africon
 Quantity Surveyors: Barratt & Boyes Consulting Quantity Surveyors
 Structural Engineers: Manong & Associates Consulting Engineers

The purpose of the project was to attempt to demonstrate the viability of in-situ upgrading as a means for the delivery of housing services. From the perspective of procurement, the project was conceived as a labour-based operation whereby members of the community would be engaged to contract for particular aspects of the work.

Clause 15 of this tender document states that in terms of council's current procurement policy this project has been identified as a major project targeting both affirmable business enterprises (ABE's) as subcontractors and local labour and tenders shall be adjudicated accordingly.

This type of contract was therefore expected to attract only the large established contractors and ABE's as subcontractors to these big contractors.

Clause 16 of the document under study states the adjudication details, which include the following factors to be taken into account in the adjudication process.

- The tender price
- The contractors previous experience in work of a similar nature
- The contractors financial capacity and references
- The unit rates and prices
- Any qualifications to the tender
- The tender ranking obtained using the points system.

The last paragraph of this clause states that:

"The council reserves the right to determine the basis of any tender award and may choose to include additional factors or exclude any of the above factors in the adjudication process"

This statement therefore limited the understanding of the actual basis on which this tender was awarded. This case study method was adopted as a supplement to other methods indicated above.

This also raised a great uncertainty about the councils' compliance with the constitution, act 200 of 1994.

Clause 187(2) of the Constitution, Act 200 of 1994, discussed in chapter two of this study reads as follows:

“The tendering system referred to in subsection shall be fair, public and competitive, and tender boards shall on request give reasons for their decisions to interested parties”

The above-mentioned paragraph from the documents under the case study and the clause from the Interim Constitution, Act 200 of 1994 contradict each other.

In chapter one of this study targeted procurement is described as a system of procurement, which facilitates employment and business opportunities for marginalized individuals and communities. The present system of tender submission requires various forms and supporting information, which, in its present format is unnecessarily complicated for emerging business to complete satisfactorily. Tenders, in support of an affirmative procurement policy, are awarded in terms of a development objective / price mechanism as described in the White paper on public sector procurement reform in South Africa (Ministry Of Finance and Department of Public Works, 1997) and as presented in chapter two of this study.

5.4 Survey results and hypotheses testing

In order to gather information regarding this study, the problem statement question as presented in the first chapter was:

Why is there little evidence to suggest that affirmative procurement policy is being practiced or that recent developments in procurement theory are understood?

Evidence emanating from survey results suggests that there is harmony between the problem statement and the survey results. In other words this data emanating from the survey results therefore indicates very strongly that there is gap between the procurement rules of the state tender board in pre-tender stage and the developmental policies of the public sector.

The evidence that also prevailed in the analysis above shows that whilst the government is creating employment opportunities, the previously disadvantaged communities and sectors seem to benefit the least. This therefore raises concern about the process of implementation whether it serves the purpose to the stakeholders such as targeted groups and small medium and micro enterprises. Implementation requires deliberate identification and removing of the structural and behavioural obstructions to change.

The South Africa's 284 local municipalities would implement new procurement regulations from October 2005 aimed at minimizing fraud and corruption in bidding for government contract work. This therefore proves the hypotheses that were to be tested in this study to be correct. These hypotheses were stated as follows:

- state tender board procedures are outmoded and inflexible thus hindering effective affirmative procurement policy implementation
- the industry's social structure and traditional practice present a barrier to effective affirmative procurement policy implementation.

The findings have clearly indicated support to the sub hypothesis 1 of this study. In other words the state tender board procedures are proven to be outmoded and inflexible thus hindering effective affirmative procurement policy implementation.

Some of the data generated by this study has shown that the problems related to the tendering process are due to the industry's social structure and traditional practice, and hence the facts of the study support sub hypothesis two as above.

5.5 Conclusion

This chapter has been largely devoted to an examination of the nature and extent the process of affirmative procurement policy implementation is used. The nature of 'fair' treatment in the adjudication process in pre tender stage will influence and encourage the participation of the SMME's.

Charter 6

Conclusions and recommendations

6.1 Introduction

This study was undertaken to examine the theory and practice of procurement systems and affirmative procurement policy implementation. Given the objective set out in chapter one, this chapter addresses the problems of policy requirements and envisages strategies for achieving the stated objective. This chapter will also conclude this study by drawing inferences from the literature review and what transpired from the empirical analysis in chapter five.

In order to gather information regarding this investigation, a questionnaire was designed to gather both qualitative and quantitative data with a focus on selected problems and constraints of APP implementation. The data was gathered through questionnaires, personal interviews and case study and then analyzed.

6.2 Conclusion

These conclusions are based on the insights gained from the literature review and the analysis of the data surveys.

6.2.1 The new municipal supply and chain management regulations, also take into account the government's preferential procurement and black economic empowerment policies, which attempt to bring black entrepreneurs into the heart of the South African economy.

6.2.2 The evidence that prevailed in the analysis in chapter five shows that whilst the government is creating employment opportunities, the previously disadvantaged communities and sectors seem to benefit the least. Although the procurement strategies were targeting these marginalized sectors. This is supported by the fact that the municipalities spend as much as R50 billion a

year procuring goods and services from local and foreign firms and the government wants to ensure that previously disadvantaged people benefit from its procurement activities. The data indicated support for this issue where in the literature review in chapter two of this study states that the government has a compelling interest in ensuring that public funds are expended in such a way that all of the South African population benefit from such expenditure through job creation and commercial activity. This proves not to be borne out by the data in the analysis, which indicates that not sufficient is being done to facilitate overall participation.

Taking into consideration the objectives of this study which were to:

1. identify differences between the procurement rules of the State Tender Board and the developmental policies of the public sector.
2. measure the effectiveness of government affirmative procurement policy in construction.
3. identify the objectives of Affirmative Procurement Policy and test the extent to which these objectives are met during the pre-tender phase.
4. show how the implementation of affirmative procurement policy could be improved.

6.2.3 Evidence emanating from this study shows, that there is gap between the procurement rules of the state tender board and the developmental policies of the public sector. The government has clearly documented the guiding principles of the implementation of affirmative procurement policy, which modernizes financial governance in state, tender board and public sector and improves accountability and transparency for the award of tenders. The intent of government was that this would combat what emerged in chapter two, that the tendering system has today begun to reach an unacceptable stage, with winning a contract, continuing a contract, or even receiving payment of completed jobs not being based on performance but on 'who you know' in the government.

6.2.4 If key procedures to minimize fraud and corruption in the tendering process, and the prevention and minimizing of possible conflicts of interests are not

established, therefore the effectiveness of APP implementation remains bias. These instances could be considered to be the logical basis from which the process of improvement of implementation can be started.

6.3 Recommendations

The recommendations of this study flow as follows:

- 6.3.1 In order to implement an effective affirmative procurement policy, the state tender boards needs to have in place a feed back system to tenderers that would identify their short comings so as for tenderers to learn from these mistakes.
- 6.3.2 State Tender Board needs to facilitate tendering workshops for new and emerging entrepreneurs to gain exposure to the tendering process.
- 6.3.3 Government should overcome the barriers to access to finances for small enterprises by putting in place a rating system which targets the abilities of the person favorably which is then presented as the passes for financial support to financial institutions.
- 6.3.4 Promotion of transparency and the simplification of tender documentation so that the marginalized can meaningfully participate in the tendering process.

6.4 Further research

Since the findings in this study raises concerns about the process of implementation, whether it does benefit and also serve the purpose for the stakeholders such as targeted groups and small medium and micro enterprises. It is apparent that there is a need for further research in the adjudication and the award of tenders within the public sector. It is also recommended that the public sector continue to gather and analyze data on the outcomes of the policy's implementation processes. This information would enable the public sector to manage the implementation of the affirmative procurement policy and inform them about the shortfalls.

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APPENDIX – 1

Questionnaire

Section One: Demographic and General Data

Please tick in the space provided unless otherwise requested.

Select or tick only one

1.1 What is your main kind of business?

General Contractor	
Specialist Contractor	
Labour only Contractor	

1.2 How long has your firm been in this business?

.....yrs.....months

1.3 In which of the following locations is your main (head) office located?

Cape Town Metro	
West Coast	
Boland	
Other	

If other please specify

1.4 How many people have you employed on average in the business?

2001	2002	2003

1.5 Would you say your business is owned by
Disadvantaged would mean people who did not have a voting power before 1994.

Advantaged would mean people who had a voting power before 1994.

Disadvantaged	
Advantaged	

1.6 Is your business registered with South African Revenue Services?

Yes	
-----	--

No	
----	--

1.7 What is your average total turnover of your business annually?

2001	2002	2003

Section Two: Background, Experience and Training

2.1 How many previously disadvantaged persons are employed in management positions?

..... %

2.2 How many females are currently employed by your firm?

..... %

2.3 Does your firm support the continuing education of its workers?

Yes	
No	

2.4 Does your firm have any in-house training programmes?

Yes	
No	

2.5 If yes would you say the focus is on:

	1	2	3	4	5
Skills development					
Capacity building					
Entrepreneurship skills					
Human Resource Development					
PDI's Empowerment					

1 is low and 5 is high

Section Three: Work History

3.1 Who provides you with most of your work?

Governmental Institution	
Foreign Aid Agency	
Private Institution	
Non-governmental Organization (NGO)	
Community	
Other	

If other please specify:.....

3.2 Tenders and Tendering

3.2.1 What percentage of your work is awarded to your based on your tender?

..... %

3.2.2 Are the tendering procedures usually clear and understood by you?

Yes	
No	

3.2.3 If not, which of the following reason will describe your lake of clarity?
1 is low and 5 is high.

	1	2	3	4	5
Language and efficiency					
Insufficient information					
Complicatedness of docs					

3.2.4 Have you encountered any problems in the tendering process?

Yes	
No	

3.2.5 Would you say the tendering process is:

	1	2	3	4	5
Fair and competitive					
Promoting participation of emerging enterprises					
Creating an enabling environment for SMMEs					
Outmoded and inflexible					
Transparent					
Unfair and biased					

1 is low and 5 is high.

3.3 State Tender Board and Tendering

3.3.1 What percentage of your work is awarded to your based on your tender submitted

to State Tender Board?

..... %

3.3.2 To what extent are the State Tender Board procedures usually clear and understood by you?

1	2	3	4	5

1 is low and 5 is high.

3.3.3 To what extent have you encountered any problems in the State Tender Board tendering process?

1	2	3	4	5

1 is low and 5 is high.

3.3.4 Would you say the State tendering process is:

	1	2	3	4	5
Fair and competitive					
Promoting participation of emerging enterprises					
Creating an enabling environment for SMMEs					
Outmoded and inflexible					
Transparent					
Unfair and biased					

1 is low and 5 is high.

3.3.5 Any other problems regarding State tendering process?

.....

.....

.....

.....

Section Four: Industry

4.1 Which of the following best describes your firm?

Architects			
Quantity Surveyors			
Project Managers			
Engineers			
Contractor		Sub- Contractor	Main Contractor

4.2 Which of the following business forms best describes your firm?

Joint venture	
Partnership	
Section 2.1 company	
Sole trader	
Private company	
Public company	
Close corporation	
Other	

4.3 Which changes in the construction industry have you observed since the present government came to power?

Human resource development
Capacity building
Redress of historical imbalances
Growth in number and size of businesses owned by previously disadvantaged individuals
Increase in employment opportunities
Empowerment of communities and individuals from previously disadvantaged sectors of society
None of the above

4.4 Would you say, it is easier now to get Government jobs than before?

Yes	
No	

4.5 If yes would you say:

	1	2	3	4	5
There is more focus on PDI's,					
Black economic empowerment is the reason,					
Or more focus on emerging contractors.					

1 is low and 5 is high.

4.6 Would you say, it is easier now to get finance from financial institution than before?

1	2	3	4	5

1 is low and 5 is high.

4.7 Which of the following Building Procurement Systems have you used within the past seven years?

Conventional		Develop and Construct	
Negotiated		Package Deal	
Cost Plus		Management Contracting	
Design and Build		Project Management	
Turnkey		Construction Management	

Other:

If other please specify:

.....

APPENDIX – 2

(SPSS programme)

Cross tabulation

Question No	with question No
1.5	2.1
3.1	3.2.2
3.1	3.2.4
3.2.4	3.2.3
3.5	3.1
3.2.4	3.2.1
3.2.4	3.3.2
3.2.4	3.3.3
4.3	4.6
4.7	3.3.1
4.7	3.2.1

Table No	with table No
5.1	5.2
5.3	5.4
5.6	5.7
5.8	5.9
5.9	5.10
5.12	5.13
5.16	5.12
5.18	5.19

